FIDELIS INSURANCE IRELAND DESIGNATED ACTIVITY COMPANY

Solvency and Financial Condition Report

For the year ending 31 December 2022

CONTENTS

GLOSSARY

BBNI	Bound but not Incepted
BEL	Best Estimate Liabilities
BSCR	Basic Solvency Capital Requirement
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CRO	Chief Risk Officer
CUO	Chief Underwriting Officer
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ENID	Events not in Data
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
FEHL	Fidelis European Holdings Limited (UK)
FIBL	Fidelis Insurance Bermuda Limited
FIE	Fidelis Insurance Europe N.V.
FIID	Fidelis Insurance Ireland Designated Activity Company
FIHL	Fidelis Insurance Holdings Limited
FUL	Fidelis Underwriting Limited
HIA	Head of Internal Audit
HoAF	Head of Actuarial Function
IBNR	Incurred but not Reported
IELR	Initial Expected Loss Ratio
IGR	Intra-Group Reinsurance
IIA	Institute of Internal Auditors
INED	Independent non-executive Director
Irish GAAP	Irish Generally Accepted Accounting Principles
MCR	Minimum Capital Requirement
MGA	Managing General Agent
MGU	Managing General Underwriter

GLOSSARY (continued)

Net acquisition cost ratio	Ratio of net acquisition expenses to net premiums earned
Net loss ratio	Ratio of net losses to net premiums earned
Net underwriting contribution	Net premiums earned less net losses, less net acquisition expenses
Net operating expense	Net acquisition expenses and administrative expenses
ORSA	Own Risk and Solvency Assessment
QRT	Quantitative Reporting Template
RCC	Risk & Capital Committee, a committee of the FIID Board
RDS	Realistic Disaster Scenario
Risk and Controls Register	Encompasses all material operational risks and the controls designed to prevent, mitigate or detect risks to the business achieving its strategic objectives
ROE	Return on Equity
RRC	Risk & Return Committee, a management committee
RSU	Restricted Stock Unit
SCR	Solvency Capital Requirement
TP	Technical Provisions
ULAE	Unallocated Loss Adjustment Expenses
UMCC	Underwriting Marketing Conference Calls

EXECUTIVE SUMMARY

Fidelis Insurance Ireland Designated Activity Company (“FIID” or “the Company”) is a non-life insurance company headquartered in Dublin, Ireland. The Company writes a mix of Specialty and Bespoke classes of general (re)insurance on a direct basis or through Managing General Agents (“MGAs”).

FIID is a 100% directly owned subsidiary of Fidelis European Holdings Limited (UK) (“FEHL”), which is 100% owned by Fidelis Insurance Bermuda Limited (“FIBL”) and is part of the Fidelis Group of companies (“the Group”), ultimately owned by Fidelis Insurance Holdings Limited (“FIHL”).

At 31 December 2022 the Group also comprised Fidelis Underwriting Limited (“FUL”) and Fidelis Marketing Limited (“FML”), along with MGAs Pine Walk Capital Limited (“Pine Walk”), Pine Walk Europe SRL (“PWE”), Radius Specialty Limited (“Radius”), Oakside Surety Limited (“Oakside”), Kersey Specialty Limited (“Kersey”), Perigon Product Recall Limited (“Perigon”), Navium Marine Limited (“Navium”), OPEnergy Limited (“OPEnergy”) and Pernix Specialty Limited (“Pernix”). FIID writes business through PWE’s Navium, Kersey, Perigon and Oakside divisions.

Material events - Group Reorganisation

In July 2022, FIHL announced that it was planning a reorganisation of the Group including the Company. Integral to this reorganisation was the proposal to create a new Managing General Underwriter which would write business through a delegated Binding Authority Agreement on behalf of existing Fidelis insurance carrier companies, including FIID.

As part of the reorganisation, a new Fidelis MGU Group was separated from the existing Fidelis insurance carrier companies (including FIID). The separation transaction completed on 00:00 1 January 2023 (with the delegated authority arrangements having taken effect as at 00:01 on 1 January 2023), therefore as at 31 December 2022, this reorganisation has had no impact on operations of the Company for the year ending 31 December 2022. During 2022 the Company recognized a gain of $4.4m in respect of the transaction and paid this as a dividend to its parent company.

The impact of the reorganisation has been considered as part of the Company’s going concern analysis and it has been determined that the Company remains a Going Concern under the re-organised structure.

Incorporation of Subsidiary

On 24 March 2022 the Company incorporated a new subsidiary in Belgium, Fidelis Insurance Europe N.V. (“FIE”). The Company owns 100% of the share capital in the subsidiary.

Fidelis Insurance Europe N.V. had no trading activity during 2022. The directors are currently evaluating future options for this company which has not traded since the year-end up to the date of this report.

Solvency II

As a regulated insurance company, FIID is subject to the regulatory rules and principles adopted by Ireland and the European Union which came into effect on 1 January 2016. Solvency II is a regulatory regime designed to set an appropriate level of capital which appropriately reflects the specific risk profile of insurance companies within the regime.

One of the biggest sources of risk for insurance companies in their business models relates to the uncertainty around forecasting what the Company's future claims might be for the insurance policies that it has underwritten. Some of these insurance liabilities are realised many years after the original policy incepted and the associated premium collected. Regulatory capital is designed to act as buffer, held within the Company's assets and liabilities, which provides security to protect policyholders should the Company incorrectly estimate its future liabilities or if unforeseen stressed events occur which impact the markets in which it operates.

This Solvency and Financial Condition Report is a Solvency II requirement produced in accordance with Article 52 of Statutory Instrument 485 of 2015, Articles 290 to 303 of Commission Delegated Regulation (EU) 2015/35 and the EIOPA guidelines on reporting and public disclosure (B0S-15-109). The SFCR is designed to give the Company's customers and stakeholders an insight into the types of business the company writes, how it manages that business and the overall solvency and financial condition of the Company, including its solvency capital position.

FIID presents its Solvency and Financial Condition Report ("SFCR") for the year ended 31 December 2022. All amounts stated are in thousands of US dollars, unless stated otherwise.

A copy of this report is available on the Company's website: https://www.fidelisinsurance.com/investors/reports

Capital Position and Financial Strength

Under the Solvency II framework, FIID is required to hold sufficient economic capital to withstand the impact of an adverse 1-in-200 year event (or series / combination of events). This is referred to as FIID's Solvency Capital Requirement (or "SCR"). FIID measures its SCR using the Standard Formula and each year obtains independent confirmation that it is appropriate to measure the SCR using this approach. At 31 December 2022 the Company's SCR ratio stood at 164.4% (2021 : 172.9%). The Company's Solvency Capital Requirement stood at $84.3m and as at that date it had surplus funds of $54.3m. The Fidelis Insurance Group has an "A (Excellent)" rating from A.M. Best. Standard & Poor's Global Ratings has assigned Fidelis Insurance Group an "A-" financial strength rating. S&P has also assigned a BBB long term issuer rating on Fidelis Insurance Holdings Limited.

Conflict in Ukraine

On February 24, 2022, the Russian Federation invaded Ukraine resulting in armed conflict in Ukraine and the Black Sea ("Ukraine Conflict"). Subsequently a number of countries, including the United States of America, the United Kingdom, and those in the European Union, placed significant sanctions on Russian institutions and persons which resulted in a devaluation of the Rouble and a fall in the value of Russian fixed income and equity assets, and the prompt withdrawal of companies from Russia without securing their assets. Fidelis has minimal direct exposure to Russian equities and minimal exposure to fixed income assets impacted by sanctions. Fidelis has potential exposure to losses associated with the conflict in Ukraine and the Black Sea through certain lines in the Bespoke and Specialty segments. At the date of this report, the Board do not believe that the impact of the Ukraine Conflict will adversely affect the Company's ability to operate as a going concern.

BUSINESS AND PERFORMANCE (SECTION A)

The table below shows the net underwriting contribution for the years ended 31 December 2022 and 31 December 2021 under Irish Generally Accepted Accounting Principles ("Irish GAAP").

$ thousands	**2022**	**2021**
Gross premiums written	536,483	340,366
Net premiums written	50,712	36,072
Net premiums earned	31,466	17,405
Net claims incurred	(25,914)	(4,949)
Net acquisition expenses	3,249	1,571
Net underwriting contribution	**8,801**	**14,027**
Net loss ratio	82.4 %	28.4 %
Net acquisition cost ratio	(10.3)%	(9.0)%
Combined ratio	113.5 %	70.1 %

The Company writes a mix of bespoke and specialty classes of general insurance and reinsurance business across seven Solvency II lines of business. The premium is written directly or through MGAs.

The Company has an ongoing intra-group reinsurance agreement with the Group's Bermuda carrier, FIBL, to maintain its risk profile in line with FIID's approved risk appetite.

The net underwriting contribution generated during 2022 was $8.8m, which compares with $14.0m in 2021. This was impacted primarily by:

- An increase in net premiums earned from $17.4m to $31.5m, reflecting the company's growth during the current and prior years; and

- An increase in loss ratio from 28.4% to 82.4% during the year, driven by loss activity in (a) marine, aviation and transport insurance and (b) miscellaneous financial loss business.

The Company's underwriting performance is reviewed in further detail in Section A.2.

Investment returns during the year were adversely impacted by market volatility, increasing interest rates and global macroeconomic events. Further information is included in Section A.3.

SYSTEM OF GOVERNANCE (SECTION B)

The Group has implemented a simple yet effective system of corporate governance in a way which ensures that enterprise risk management is maintained at a high standard and that the business is operating in an efficient and effective manner. The FIID Board aligns its system of corporate governance with that of the Group where appropriate.

FIID is governed by its Board of Directors and two sub-committees of the Board: the Audit Committee and the Risk and Capital Committee. The FIID Board is ultimately responsible for ensuring that the principles of good governance are observed.

FIID has an Internal Control and Risk Management Framework and employs the "Three Lines of Defence" model to manage risk. The integration of the risk management process, business strategy, business planning, and capital management is defined through FIID's approach to its ORSA. Both the management team and the Board are fully engaged with the ORSA process and use it as a tool to help deepen their understanding of the business, better understand the risks and opportunities facing it and to refine and focus FIID's strategic thinking and priorities.

RISK PROFILE (SECTION C)

The Company is exposed to risks from several sources. These include non-life underwriting risk, market risk, counterparty default risk, liquidity risk, operational risk, strategic risk and emerging risk. Each of these risk areas is described in more detail in section C.

Underwriting risk is a material component of FIID's risk profile and is primarily driven by man-made catastrophe risk. Major underwriting risks, including man-made catastrophe risk, are captured within FIID's RDS framework and are adequately reflected within the Standard Formula premium and catastrophe modules.

The Company has entered into an intra-group reinsurance agreement with FIBL, to maintain its risk profile in line with FIID's approved risk appetite.

Investment risk is not considered to be a material component of FIID's risk profile since FIID's portfolio consists of cash, government and corporate bonds.

The level of FIID's capital is adequate for its risk profile under both normal and stressed conditions and as evidenced by the stress and scenario testing under the ORSA, FIID has been assessed to have sufficient capital to withstand a 1-in-200 year loss event.

The United Kingdom ("UK") exited the European Union ("EU") on 31 January 2020, and the Fidelis Group is committed to its strategy of using FIID to underwrite EU/EEA bespoke and specialty insurance policies.

VALUATION FOR SOLVENCY PURPOSES (SECTION D)

The assets and liabilities in the Solvency II balance sheet have been valued using Solvency II valuation principles. Under these principles items on FIID's balance sheet are valued at the amount at which the assets and liabilities could be exchanged between knowledgeable and willing parties in an arm's length transaction. Solvency II valuation rules are different, in some areas, than those used in the Company's Irish GAAP financial statements, with the valuation of technical provisions ("TPs") being a major area of difference.

As at 31 December 2022 the Company's assets less liabilities were valued at $138.6m under Solvency II, compared with $140.9m under Irish GAAP.

See Section D for more detail on the valuation methods, bases and assumptions of assets and liabilities in the Solvency II balance sheet as well as a comparison to Irish GAAP.

CAPITAL MANAGEMENT (SECTION E)

The objective of capital management is to maintain, at all times, sufficient capital to safeguard the Company's ability to continue as a going concern and to protect the interests of its customers, investors, regulators, and trading partners while also efficiently deploying capital and managing risk to sustain ongoing business development. FIID's capital management objective is also to ensure that the Company fulfills its obligations to measure, monitor, manage and report its capital position, both required and available, internally and externally as required, in accordance with relevant regulatory requirements.

The Company received capital contributions from FEHL in March 2022 for $20.0 million and in May 2022 for $20.0 million (2021: $Nil). These capital contributions were approved by the Central Bank of Ireland ('CBI') as Tier 1 capital.

The Company calculates its SCR using the Standard Formula. During 2022, the Company engaged Willis Towers Watson Limited ("WTW") to assist with an assessment of whether its risk profile deviated from the assumptions underlying the Solvency II SCR as calculated according to the Standard Formula and whether these deviations were significant. This assessment is required as part of the Company's Own Risk and Solvency Assessment, in accordance with paragraph 1I of Article 45 of the Solvency II Framework Directive.

Based on the considerations set out in WTW's report, its view is that the Standard Formula provides an appropriate quantification of a one-year 99.5% value-at-risk for the Company, covering all material quantifiable risks to which FIID is exposed and covering existing business, as well as the new business expected to be written over the following twelve months.

The Company does not use any Undertaking Specific Parameters allowed under Solvency II, nor does it use simplified calculations for any of the risk modules.

The following table shows the difference between equity as shown in the financial statements and the Solvency II excess of assets over liabilities:

	2022	2021
$ thousands		
Total Irish GAAP equity	140,917	105,399
Valuation adjustments relating to technical provisions	(2,639)	14,517
Deferred tax effect	324	(1,816)
Total basic own funds	**138,602**	**118,100**

Solvency II own funds of $138,602 million were less than capital calculated on an Irish GAAP basis, driven by the movement in Irish GAAP technical provisions, solvency risk margin and additional expenses in running off Irish GAAP technical provisions. This is partially offset by expected profits in future premium.

See section E of this report for further details on the Company's Solvency II own funds.

The SCR, MCR, Solvency II own funds and SCR coverage ratio (ratio of eligible own funds to SCR) were as follows as at 31 December 2022 compared to 2021:

$ thousands	2022	2021
SCR	84,289	68,311
MCR	21,072	17,078
Solvency II eligible own funds	138,602	118,100
Coverage ratio	164.4%	172.9%

FIID benefits from a contractual intragroup guarantee provided by FIHL. Under the terms of the guarantee, FIHL undertakes to satisfy all liabilities of FIID in the event of its insolvency. This provides a degree of protection greater than that required by the Solvency II SCR.

Additionally, FIID entered into a capital maintenance agreement in 2021, which commits FIBL to provide sufficient capital to maintain FIID's regulatory solvency position equivalent to 105% of its Solvency II SCR Coverage Ratio. This agreement includes a clause that the commitment will be triggered if the FIID Board believes that the Solvency II SCR Coverage Ratio will drop below this position at any point over a subsequent nine-month period. FIBL is required to provide the funds within 15 Business Days of receipt of a valid demand from FIID under the agreement. Any funds provided under the agreement must be of a form that they can be used to meet FIID's solvency capital requirements.

During 2022 there were no incidences of non-compliance with SCR or MCR requirements.

INFORMATION ON THE SFCR

SFCR Requirements

FIID's Solvency and Financial Condition Report is produced in accordance with Article 52 of S.I. 485 of 2015, Articles 290 to 303 of Commission Delegated Regulation (EU) 2015/35 and the EIOPA guidelines on reporting and public disclosure (B05-15-09). The SFCR is required to be produced and made publicly available on an annual basis.

Article 5 of Commission Implementing Regulation (EU) 2015/2452 requires that certain Quantitative Reporting Templates are to be included in the SFCR. These are included in the Appendix to this report.

External Audit

The company's statutory auditors, KPMG, have audited the following QRT's:

- S.02.01.02 : Balance Sheet
- S.05.01.02 : Premiums, claims and expenses by line of business
- S.05.02.01 : Premiums, claims and expenses by country
- S.17.01.02 : Non-Life Technical Provisions
- S.19.01.21 : Non-Life Insurance Claims
- S.23.01.01 : Own Funds
- S.25.01.21 : Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 : Minimum Capital Requirement

KPMG have reviewed the narrative sections of this report (Sections D and E.1) for consistency with the related QRTs, in accordance with the Central Bank of Ireland's Requirement for External Audit of Solvency II Regulatory Returns / Public Disclosures.

Materiality

In preparing the SFCR information disclosed is considered to be material where omitting, misstating or obscuring that information could reasonably be expected to influence the decisions or judgment of the users of this document.

Approval

This SFCR report was reviewed and approved by the Board of Directors of FIID on 31 March 2023.

A. BUSINESS AND PERFORMANCE

A1. BUSINESS PROFILE

A1.1 Information regarding the business of the Company

Fidelis Insurance Group is a privately owned specialist insurance and reinsurance group headquartered with a (re)insurance company in Bermuda with additional (re)insurance companies in London and Dublin. The group is led by Chief Executive Officer Dan Burrows. Fidelis Insurance Group has a financial strength rating of A (Excellent) by A.M. Best Company, Inc. and A- by Standard and Poor's. The Group is supervised by the Bermuda Monetary Authority.

Fidelis Insurance Ireland Designated Activity Company ("FIID" or "the Company") is a non-life insurance company headquartered in Dublin, Ireland. It was incorporated on 27 December 2017 and received authorisation from the Central Bank of Ireland to underwrite business on 22 October 2018. The Company writes a mix of Specialty and Bespoke classes of general (re)insurance on a direct basis or through Managing General Agents ("MGAs").

FIID is a 100% directly owned subsidiary of Fidelis European Holdings Limited (UK) ("FEHL"), which is 100% owned by Fidelis Insurance Bermuda Limited ("FIBL") and is part of the Fidelis Group of companies ("the Group"), ultimately owned by Fidelis Insurance Holdings Limited ("FIHL"). FIID is regulated by the Central Bank of Ireland. FIID owns 100% of the share capital of Fidelis Insurance Europe N.V., a company incorporated in Belgium. This company was incorporated on 24 March 2022 and did not have any trading activity during the year.

At 31 December 2022 the Fidelis Insurance Group also comprised Fidelis Underwriting Limited ("FUL") and Fidelis Marketing Limited ("FML"), along with MGAs Pine Walk Capital Limited ("Pine Walk"), Pine Walk Europe SRL ("PWE"), Radius Specialty Limited ("Radius"), Oakside Surety Limited ("Oakside"), Kersey Specialty Limited ("Kersey"), Perigon Product Recall Limited ("Perigon"), Navium Marine Limited ("Navium"), OPEnergy Limited ("OPEnergy") and Pernix Specialty Limited ("Pernix"). FIID writes business through PWE's Navium, Kersey, Perigon and Oakside divisions.

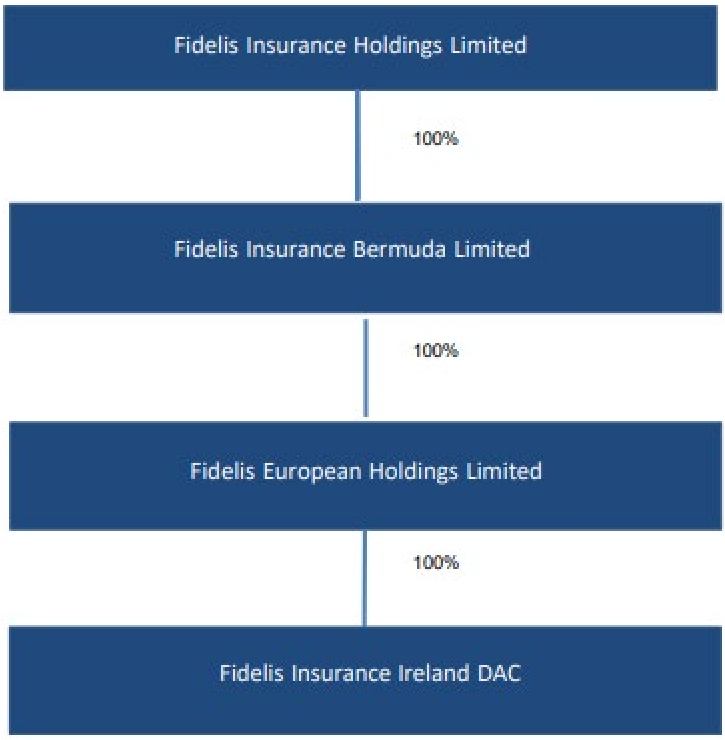
FIID is limited by shares and its company number is 617908. Details of the Company's registered office, supervisory authorities and external auditors are shown below:

Registered office:	70 Sir John Rogerson's Quay Grand Canal Dock Dublin 2 Tel : +353 (0)1 566 8080
Supervisory authorities:	Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1 D01 F7X3 Tel : +353 (0)1 224 6000 Email : enquiries@centralbank.ie

External Auditors: KPMG Chartered Accountants
1 Harbourmaster Place,
IFSC,
Dublin 1,
D01 F6F5
Tel : +353 (0)1 410 1000

A1.2 Position within the legal structure of the Fidelis Insurance Group

The following simplified group structure chart provides details of the ownership in the Company:



A1.3 Material lines of business and material geographic areas where the Company carries out business

The principal activity of the Company is the underwriting of general insurance business in the EEA. The Company's core product lines in 2022 were Marine, Bespoke insurance, Credit & Political Risk, Aviation & Aerospace, Property and Energy.

A1.4 Material events

In July 2022, FIHL announced that it was planning a reorganisation of the Group including the Company. Integral to this reorganisation was the proposal to use the existing regulatory permissions of the Company to operate as a Managing General Underwriter on behalf of FIHL Group insurance carrier FIID through a delegated Binding Authority Agreement.

As part of the reorganisation, a new Fidelis MGU Group was separated from the existing Fidelis insurance carrier companies (including FIID), which will provide the capacity supporting the delegated binding authorities. The separation transaction completed on 00:00 3 January 2023 (with the delegated authority arrangements having taken effect as at 00:01 on 1 January 2023), therefore as at 31 December 31 2022, this reorganisation has had no impact on the reporting position of the Company for the period ending 31 December 2022. The impact of the reorganisation has been considered as part of the Company's going concern analysis and it has been determined that the Company remains a Going Concern under the re-organised structure.

Further information on the reorganisation is available at the link below:

https://www.fidelisinsurance.com/media/corporate-news/2023/fidelis-completes-mgu-and-balance-sheet-split-

Conflict in Ukraine

On February 24, 2022, the Russian Federation invaded Ukraine resulting in armed conflict in Ukraine and the Black Sea ("Ukraine Conflict"). Subsequently a number of countries, including the United States of America, the United Kingdom, and those in the European Union, placed significant sanctions on Russian institutions and persons which resulted in a devaluation of the Rouble and a fall in the value of Russian fixed income and equity assets, and the prompt withdrawal of companies from Russia without securing their assets. The Company has minimal direct exposure to Russian equities and minimal exposure to fixed income assets impacted by sanctions. The Company has potential exposure to losses associated with the conflict in Ukraine and the Black Sea through certain lines in the Bespoke and Specialty segments. At the date of this report, the Board do not believe that the impact of the Ukraine Conflict will adversely affect the Company's ability to operate as a going concern.

A2. UNDERWRITING PERFORMANCE

The Company currently writes seven Solvency II lines of business: marine, aviation and transport insurance, fire and other damage to property insurance, general liability, credit and suretyship insurance, miscellaneous financial loss, non-proportional marine, aviation and transport reinsurance and non-proportional property reinsurance.

FIID's underwriting strategy is to write a mix of bespoke and specialty business, on both a direct basis and through MGAs.

The table below details the underwriting performance by Line of Business for 2022 and the prior year. All values shown in this section are reported on the basis of Irish Generally Accepted Accounting Principles ("Irish GAAP") and are in thousands of US Dollars (€000).

2022	Direct and accepted proportional business					Accepted non-proportional reinsurance		
$ thousands	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Credit and suretyship insurance**	**Miscellaneous financial loss**	**Marine, aviation, transport**	**Property**	**Total**
Gross premiums written	250,368	37,831	136,151	96,636	15,497	—	—	536,483
Net premiums written	21,488	4,289	18,283	6,885	(234)	—	—	50,711
Net premiums earned	15,309	3,981	5,063	4,323	2,790	—	—	31,466
Net claims incurred	(17,939)	(666)	(813)	(1,991)	(5,784)	140	1,139	(25,914)
Net acquisition expenses	2,183	863	(260)	1,870	(1,407)	—	—	3,249
Net underwriting contribution	(447)	4,178	3,990	4,202	(4,401)	140	1,139	8,801
Net loss ratio	117.2 %	16.7 %	16.1 %	46.1 %	207.3 %	0.0 %	0.0 %	82.4 %
Net acquisition cost ratio	(14.3)%	(21.7)%	5.1 %	(43.3)%	50.4 %	0.0 %	0.0 %	(10.3)%

2021	Direct and accepted proportional business					Accepted non-proportional reinsurance		
$ thousands	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Credit and suretyship insurance**	**Miscellaneous financial loss**	**Marine, aviation, transport**	**Property**	**Total**
Gross premiums written	111,673	40,206	59,477	108,209	19,707	361	734	340,367
Net premiums written	12,693	3,792	7,228	8,762	3,646	26	(75)	36,072
Net premiums earned	5,432	2,778	2,605	1,355	4,844	464	(74)	17,404
Net claims incurred	(2,558)	(511)	(687)	(650)	(318)	(217)	(8)	(4,949)
Net acquisition expenses	1,189	443	93	571	(953)	208	20	1,571
Net underwriting contribution	4,063	2,710	2,011	1,276	3,573	455	(62)	14,026
Net loss ratio	47.1 %	18.4 %	26.4 %	48.0 %	6.6 %	0.0 %	0.0 %	28.4 %
Net acquisition cost ratio	(21.9)%	(15.9)%	(3.6)%	(42.1)%	19.7 %	0.0 %	0.0 %	(9.0)%

Gross premiums written increased by 58% in 2022 to $536.5 million (2021: $340.4 million). The increase in premium was largely attributable to Marine, Aviation and Transport and General Liability insurance business. The main driver for the growth has been continued rate improvement and market dislocation across Specialty lines of business, allowing FIID to write additional volumes of business, notably through continued growth in the Marine class, through the Navium MGA. There were also significant increases in General Liability business driven by additional Warranty EEA business through existing MGA relationships.

Net premiums written were $50.7 million (2021: $36.1 million). These movements reflect increased volumes during the year as described above. Earnings increases in Credit and Surety business related to the continuing earn out of prior year mortgage and credit business.

Net premiums earned for the year were $31.5 million (2021: $17.4 million), the increase reflective of the increase in volumes in general liability and marine, aviation and transport during the year. Earnings increases in credit and surety business related to the continuing earn out of prior year mortgage and credit business.

Net claims incurred for the year were $25.9 million (2021: $4.9m) and the net loss ratio for 2022 was 82.4% (2021: 28.4%). Noting the uncertainty around the conflict in the Ukraine the company established additional loss reserves during the year, predominantly in its Marine, Aviation and Transport insurance book. Under Miscellaneous Finance Loss the Company made a provision for a potential large loss on Title business which was the key driver in the increased level of losses compared with the preceding year.

The ratio of net acquisition expenses to net premiums earned was -10.3% (2021: -9.0%) with the decrease driven primarily by increased overrider commission income.

The Company's combined ratio has increased during the year to 113.5% (2021: 70.1%). This was driven by the 53.7% point increase in loss ratio and 1.3%-point decrease in acquisition ratio referenced above, as well as a 9.0% point reduction in operating expense ratio. The operating expense ratio has reduced due to the growth in net earned premiums.

A1.4 Material Lines of Business

The commentary below, by Solvency II line of business, incorporates values reported in the S.05.01 QRT (which is included in appendix B). The Company's underwriting performance by geographical area is detailed in the S.05.02.01 QRT (appendix B).

A.2.1.1 Marine, aviation, and transport

$ thousands	2022	2021
Gross premiums written	250,368	111,673
Net premiums written	21,488	12,693
Net premiums earned	15,309	5,432
Net claims incurred	(17,939)	(2,558)
Net acquisition expenses	2,183	1,189
Net underwriting contribution	**(447)**	**4,063**
Net loss ratio	117.2 %	47.1 %
Net acquisition cost ratio	(14.3)%	(21.9)%

This class of business is composed of the Company's Aviation, Aerospace and Marine lines.

The increase in gross premiums written was driven by Marine business ($113.9 million), with the renewal of business written through the PWE MGA relationship with Navium and an improved rating environment across all marine lines of business being the biggest factors in the increase. An improved rating environment resulted in increased premium across Aviation lines of business ($43.0 million), while there were reductions in Space business relating to satellite launches ($19.3 million).

The increases in net premiums written and earned were reflective of the additional volumes during 2022.

The increase in the net loss ratio to 117.2% from 47.1% in the prior year was primarily driven by additional loss provisions established against potential Aviation and Aerospace losses relating to the Russia/Ukraine war.

A.2.1.2 General liability

$ thousands	2022	2021
Gross premiums written	136,151	59,477
Net premiums written	18,283	7,228
Net premiums earned	5,063	2,605
Net claims incurred	(813)	(687)
Net acquisition expenses	(260)	93
Net underwriting contribution	**3,990**	**2,011**
Net loss ratio	16.1 %	26.4 %
Net acquisition cost ratio	5.1 %	(3.8)%

This class of business is inclusive of the company's Warranty, Product Recall and Cyber books.

The increase in gross premiums written was mainly driven by increases in Warranty business ($62.8 million), through additional EEA business associated with 3rd party MGAs. There was also an increase in energy offshore liability premium ($10.6 million) during 2022, mainly as a result of the renewal of the OPEnergy binder.

The increases in net premiums written and earned were reflective of the additional volumes in warranty and the earn out of prior year premium where a significant proportion of business was written in the second half of the year.

The decrease in net loss ratio was driven by favourable loss development on prior year reserves.

A.2.1.3 Credit and suretyship

	2022	2021
$ thousands		
Gross premiums written	96,636	108,209
Net premiums written	6,885	8,762
Net premiums earned	4,323	1,355
Net claims incurred	(1,991)	(650)
Net acquisition expenses	1,870	571
Net underwriting contribution	**4,202**	**1,276**
Net loss ratio	46.1 %	48.0 %
Net acquisition cost ratio	(43.3)%	(42.1)%

This class of business includes Mortgage insurance, Surety and other Credit business.

The reduction in gross premiums written was mainly driven by a reduction in mortgage insurance business ($13.7 million), following a change in risk appetite in response to current market conditions.

Net premiums written have reduced in line with gross premiums written in 2022. Net earned premiums have increased, despite the reduction in net premiums written, as mortgage and credit business continues to earn out from prior years.

A.2.1.4 Fire and other damage to property

	2022	2021
$ thousands		
Gross premiums written	37,831	40,206
Net premiums written	4,289	3,792
Net premiums earned	3,981	2,778
Net losses	(666)	(511)
Net acquisition expenses	863	443
Net underwriting contribution	**4,178**	**2,710**
Net loss ratio	16.7 %	18.4 %
Net acquisition cost ratio	(21.7)%	(15.9)%

This class of business includes the Company’s property, nuclear property and energy lines of business.

Gross premiums written decreased slightly from the prior year, with reductions in Property Direct and Facultative (or "D&F") business ($3.6 million) the most significant movement. Net Earned premium increased during the year driven by growth in the Property D&F book in the prior year which earned through in 2022.

The increase in net acquisition cost ratio is attributable to business mix and the growth in the Property D&F earnings during the year.

A.2.1.5 Miscellaneous financial loss

	2022	2021
$ thousands		
Gross premiums written	15,497	19,707
Net premiums written	(234)	3,646
Net premiums earned	2,790	4,844
Net claims incurred	(5,784)	(318)
Net acquisition expenses	(1,407)	(953)
Net underwriting contribution	**(4,401)**	**3,573**
Net loss ratio	207.3 %	6.6 %
Net acquisition cost ratio	50.4 %	19.7 %

This class of business is inclusive of Title and Other Bespoke categories.

The decrease in gross premiums written is attributable mainly to timing differences with the inception of certain Title business being pushed into 2023. Title business also has a longer than average earning pattern in this class which is the reason for the relatively low net premiums earned.

Net premiums written and earned have reduced, as a result of proportionally higher third-party reinsurance on Title business.

The increase in net loss ratio was driven by a potential large loss on Title business reported and reserved for during 2022.

Net acquisition costs have increased due to business mix changes during 2022 compared with the prior year.

A2.2 Material geographical areas

Performance in Ireland and the top five countries in which the Company operates is summarised in the table below.

Income Statement 2022 $ thousands	Ireland	Germany	Italy	Netherlands	Belgium	Greece	Other	Total
Net Earned Premium	1,193	5,629	1,881	4,778	1,814	2,137	14,034	31,466
Net Claims Incurred	(1,450)	(2,905)	(1,118)	(2,042)	(10,624)	(1,135)	(6,640)	(25,914)
Technical expenses	(1,241)	(1,198)	(459)	(1,034)	(645)	782)	(4,621)	(9,980)
Underwriting result	**(1,498)**	**1,526**	**304**	**1,702**	**(9,455)**	**220**	**2,773**	**(4,428)**

Income Statement 2021 $ thousands	Ireland	Germany	Italy	Netherlands	Belgium	France	Other	Total
Net Earned Premium	641	3,297	484	2,349	2,794	1,446	6,393	17,404
Net Claims Incurred	(105)	(1,210)	(136)	(622)	(1,286)	(325)	(1,265)	(4,949)
Technical expenses	(564)	(1,337)	(489)	(1,339)	(1,533)	(1,099)	(1,056)	(7,417)
Underwriting result	**(28)**	**750**	**(141)**	**388**	**(25)**	**22**	**4,072**	**5,038**

A3. INVESTMENT PERFORMANCE

The Company maintains a high-grade investment portfolio with a primary focus on capital preservation.

The following table presents the components of investment return by asset class during the year-ended 31 December 2022:

$ thousands	Investment income	Net realised gains/(losses)	Change in net unrealised losses	Investment return
Government bonds	437	(161)	(1,078)	(802)
Corporate bonds	1,848	(504)	(3,743)	(2,399)
Cash and other	605	367	—	972
Investment fees	(185)	—	—	(185)
Investment return	**2,705**	**(298)**	**(4,821)**	**(2,414)**

The following table presents the components of investment return by asset class during the year-ended 31 December 2021:

$ thousands	Investment income	Net realised loss	Change in net unrealised losses	Investment return
Government bonds	760	(56)	(887)	(183)
Corporate bonds	1,591	(344)	(1,712)	(465)
Cash and other	6	—	—	6
Investment fees	(156)	—	—	(156)
Investment return	**2,201**	**(400)**	**(2,599)**	**(798)**

The year-to-date total return on total cash and investments was -2.0% largely driven by unrealised losses on the portfolio. The performance of the portfolio was impacted by upward moves in yields throughout the year, creating a negative return on core fixed income portfolio securities.

The Company accounts for all investments at fair value with gains and losses through the profit and loss account. During the year, all gains or losses were recognised in the profit and loss account and no gains or losses were recognised directly in equity.

FIID did not hold any collateralised securities during 2022 or 2021. The Company's investment advisory agreement allows for collateralised securities to be held providing they comply with Solvency II requirements, however to date none have been purchased.

A4. PERFORMANCE OF OTHER ACTIVITIES

Expenses during the year and prior year comprise the following:

$ thousands	**2022**	**2021**
Employment costs	5,466	4,163
Non-employment costs	10,367	2,417
IT costs	1,206	968
Professional and consulting fees	1,254	1,164
Other expenses	112	100
Total administrative expenses	**18,405**	**8,812**

The Company does not have any direct employees. All of the Dublin based staff are employed by the Irish branch of FML. Administrative expenses for FIID are predominantly a result of recharges from other Group companies for providing physical infrastructure, staff and associated support services.

A5. OTHER INFORMATION REGARDING THE BUSINESS

Environmental, Social and Governance ('ESG') commitments

FIID has a commitment to its communities, which we recognise includes environmental responsibilities. We measure our operational carbon emissions (scopes 1, 2 and 3) with the help of an external consultancy, C Level, and are committed to continuing to offset more than 100% of these emissions through the purchase of high-quality offsets (our current offsets are Plan Vivo certified). We had 150% coverage of our emissions in 2021, making the Group climate positive. Through the development of best practices in our business, the Company aims to use no more consumables than are necessary and recycle the maximum of those we do use. The Company also believes that embedding environmental awareness throughout the organisation will be supported by a continuous programme of employee engagement. Other commitments that have been made publicly are detailed in the Fidelis ESG Presentation, available on our website. The Sustainability function is working on various aspects of climate-related strategy and targets, including around understanding the carbon footprint of our underwriting portfolio.

The Group is aware of climate laws and regulations in respect of both the ones that are in force and those that are expected to be enacted in the future for jurisdictions the Company operates in.

Historically, the Group has been a net carbon positive firm. Other commitments that have been made publicly are detailed on the Group's internet site:

https://www.fidelisinsurance.com/corporate-responsibility/Our-Commitments

or https://www.fidelismgu.com/sustainability/Key-Commitments

The ESG working group is determining what climate related strategy/targets FIID should be working towards. As a part of this process the ESG working group is also estimating the potential impact on the business that it writes and the assets that it invests in. The Company is aware of climate laws and regulations in respect of both the ones that are in-force and those that are expected to be enacted in the future for the jurisdictions in which the Company operates as that could affect its assets. The Company achieves this through monitoring legal developments and maintaining a log of relevant regulatory developments.

Further details regarding the Group's commitments to its communities can be found at the links above.

Fidelis Foundation

Fidelis established The Fidelis Foundation in December 2020. Further details regarding The Fidelis Foundation's commitments, including a list of charities supported in 2022 can be found here:

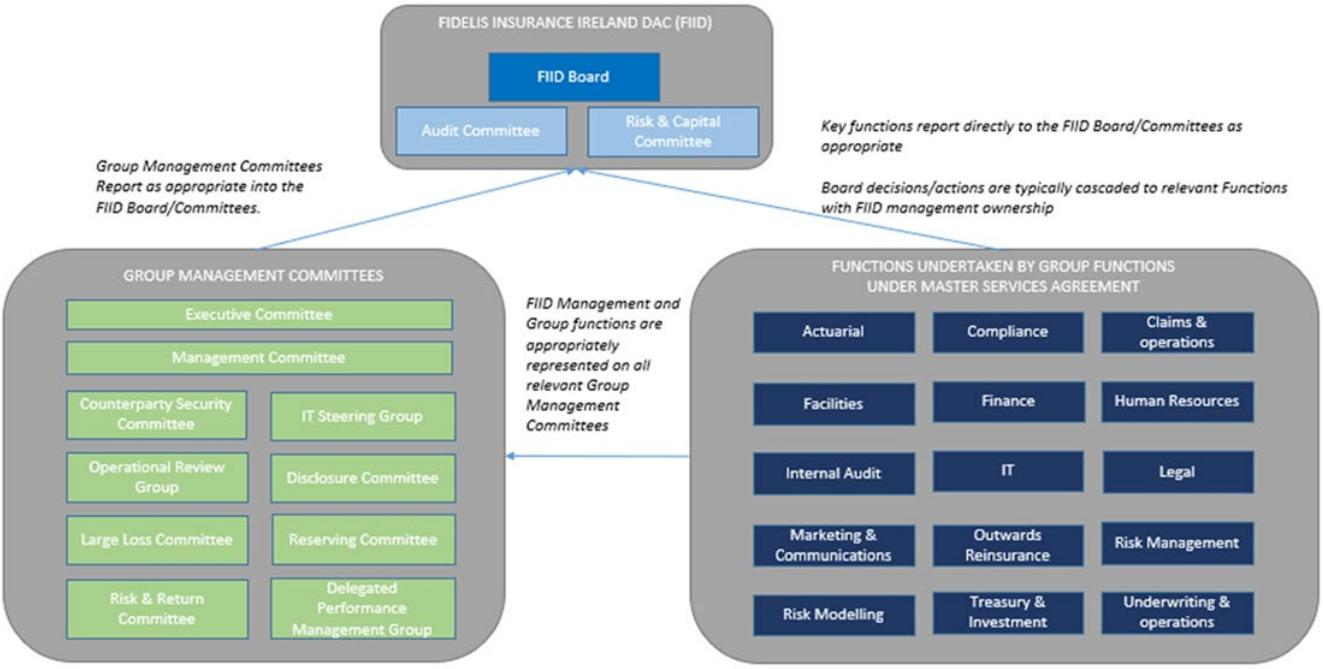
https://www.fidelismgu.com/sustainability/the-fidelis-foundation

B. SYSTEM OF GOVERNANCE

B1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B1.1 Role and responsibilities of the administrative, management or supervisory body and key functions

FIID has implemented a simple yet effective system of corporate governance in a way which ensures the enterprise risk management is maintained at a high standard and that the business is operating in an efficient and effective manner. The FIID Board aligns its system of corporate governance with that of the Group where applicable. The diagram below presents an overview of FIID's governance structures:



The table below summarises the role of each of the Boards and entity committees that make up FIID's System of Governance as at 31 December 2022:

Board / Committee	*INEDS*	*Exec*	*Role*	*Links into boards*
Board	4	2	Considering and deciding on FIID's strategy and matters affecting FIID, including matters referred for approval by FIHL committees, FIID committees or Group management committees	Considers, challenges and is the sole point of FIID approval. Matters cascaded from the FIHL Board may be approved, approved with subjectivities, amended or rejected by the FIID Board or referred back to the FIHL Board
Audit Committee	4	2	Independent review and challenge of financial and regulatory reporting and the internal control environment, oversight of the internal audit	The Committee Chair reports into the FIID Board on the outcome of the audit committee. The European General Counsel ensures any matters referred by the FIHL Board are so referred
Risk & Capital Committee	4	2	To advise the FIID Board in respect of risk and capital management and oversight of risk management and tolerances	The Committee Chair reports into the FIID Board. The Group Director of Underwriting ensures any matters referred by the FIHL Board are also referred to the FIID Board

FIID management is represented on all Group management committees. The table below summarises the role of the Group management committees, their role and how they interact with other parts of the system of governance as at 31 December 2022:

Management Committee	Role	Links into FIID Boards/ Committees
Executive Committee	Review the Group's strategy, operations and business plan, assess and action any opportunities that are in the best interest of the Fidelis Group and make proposals to the FIHL Board and FIHL Committees relating to the strategy, operations and conduct of the business of the Fidelis Group and ensure the operations of the Group are within the strategy and business plans approved by the FIHL Board.	Matters requiring Board consideration or approval are referred to the FIID Board by the FIID CEO
Management Committee	Co-ordinate and execute the implementation of the strategy and business plan as decided by Group and subsidiary Boards and the Executive Committee; report on and refer to the Executive Committee all items requiring strategic oversight or opinion	Matters requiring Board consideration or approval are referred to the FIID Board by the FIID CEO
Risk & Return Committee	Oversight of risk appetite, tolerances and preferences, risk methodology, capital and solvency appetite, capital methodology, risk return optimisation and risk and capital monitoring	Matters requiring FIID Board consideration or approval are referred by the FIID CRO to the FIID Board in quarterly Board reporting
Counterparty Security Committee	Oversee development and adherence to outwards reinsurer and broker counterparty exposure tolerances	Matters requiring FIID Board consideration or approval are referred by the FIID CRO to the FIID Board
IT Steering Group	A forum to consider the Technology Strategy of the Group and to approve and track the progress and performance of IT projects and change requests.	Matters requiring FIID Board consideration or approval are referred by the FIID CEO to the FIID Board.
Operational Review Group	Challenges, approves or declines New Business Initiatives and Delegated Underwriting/Claims Authorities from an operational viewpoint, after in principle underwriting approval has been received	Matters requiring FIID Board consideration or approval are referred by the FIID Head of Compliance to the FIID Board
Delegated Performance Management Committee	Ongoing monitoring of performance and management of conduct risk concerning delegated authorities, as per the Group Delegated Authority Procedure and the Group Conduct Risk Framework	Matters requiring FIID Board consideration or approval are referred by the FIID CUO to the FIID Board
Disclosure Committee	Review disclosures around Fidelis' financial condition and results of operations, ad hoc disclosures such as press releases and conference presentations and oversee the design and effectiveness of the Group's disclosure controls	While the Disclosure Committee will not review all regulatory filings, it will review material regulatory filings which will be made available in the public domain. The Disclosure Committee will review such disclosures and recommend their inclusion in the FIID Board materials for consideration and approval. The FIID CEO/ CFO will bring the filing to the FIID Board in the relevant Board papers for review and approval.
Large Loss Committee	Monitors the developments in relation to large or complex insurance/ reinsurance claims and sets case specific loss reserves exceeding the authorities of the Group Head of Claims	Matters requiring FIID Board consideration or approval are referred by the FIID's Head of Actuarial Function to the FIID Board
Reserving Committee	Considers and opines on portfolio level reserves and IBNR for recommendation to the relevant Boards	Matters requiring FIID Board consideration or approval are referred by FIID's Head of Actuarial Function to the FIID Board in quarterly Board Reporting

The Company outsources key control functions with the Group, namely the Group HIA, who reports into the FIID Board and/or Committees as appropriate. The internal outsource to the Group-wide functions ensures appropriate seniority of the holders of the key control functions. When engaged on behalf of FIID, these individuals report to FIID's CEO and Board. The independence of the key control function holders is assured through independence in reporting lines. All key control function holders report into either Group level senior management or, in the case of the Group HIA, to the Chair of the Audit Committee who is an INED.

B1.2 Material changes in the system of governance over the reporting period

There have been no material changes to the system of governance over the reporting period. There have, however, been a number of pre-approved controlled function (PCF) holder changes.

B1.3 Remuneration policy for the administrative, management or supervisory body and employees

B1.3.1 Principles of the remuneration policy

The Compensation Framework is recommended for approval by the Group Compensation Committee to the FIHL Board. After approval by the FIHL Board, the relevant details are reported to the subsidiary boards including FIID's Board. The FIID Board does not deem it necessary to establish a separate FIID Compensation committee and believes it appropriate that such matters, on the basis of the proportionate size and risk profile of the Company, be addressed by the Board.

The Company's remuneration approach reflects the intent to align shareholder and employee interests by attracting and retaining employees of the highest caliber and motivating them to drive the Company's business plan and build shareholder value. Fixed compensation is based on market norms for the position, and total compensation aims to provide above market level compensation for superior performance. Variable compensation programs are provided to all employees and include a company-wide bonus plan and a RSU plan.

INEDs receive a quarterly directors' fee. They are not eligible for additional non-cash benefits or variable compensation.

In addition to the above, certain senior staff are required to commit, by way of an annual declaration, that they have not and will not enter into any personal hedging strategies in relation to their variable remuneration or to otherwise undermine their risk alignment with FIID/the Fidelis Group in their variable remuneration.

B1.3.2 Information on individual and collective performance criteria on which variable components of remuneration is based

The bonus plan performance criteria are comprised of both personal performance and company performance and the bonus is paid annually. Personal performance is evaluated based on achievement of specific objectives and demonstration of cultural values and management responsibilities (where applicable). Company performance is measured against a pre-established target for the annual ROE for the Group. The RSUs contain both service and performance conditions. For the majority of employees, two-thirds of the RSU grants vest based on service after a three-year period and one-third of the RSUs vest based on certain performance conditions based on achievement of pre-established targets for the three-year average ROE for the Group and underwriting profit relative to an agreed peer group. For the Executive Committee and for the Group CEO the RSU's are more heavily weighted towards performance conditions to increase alignment with shareholder interests.

B1.3.3 Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders

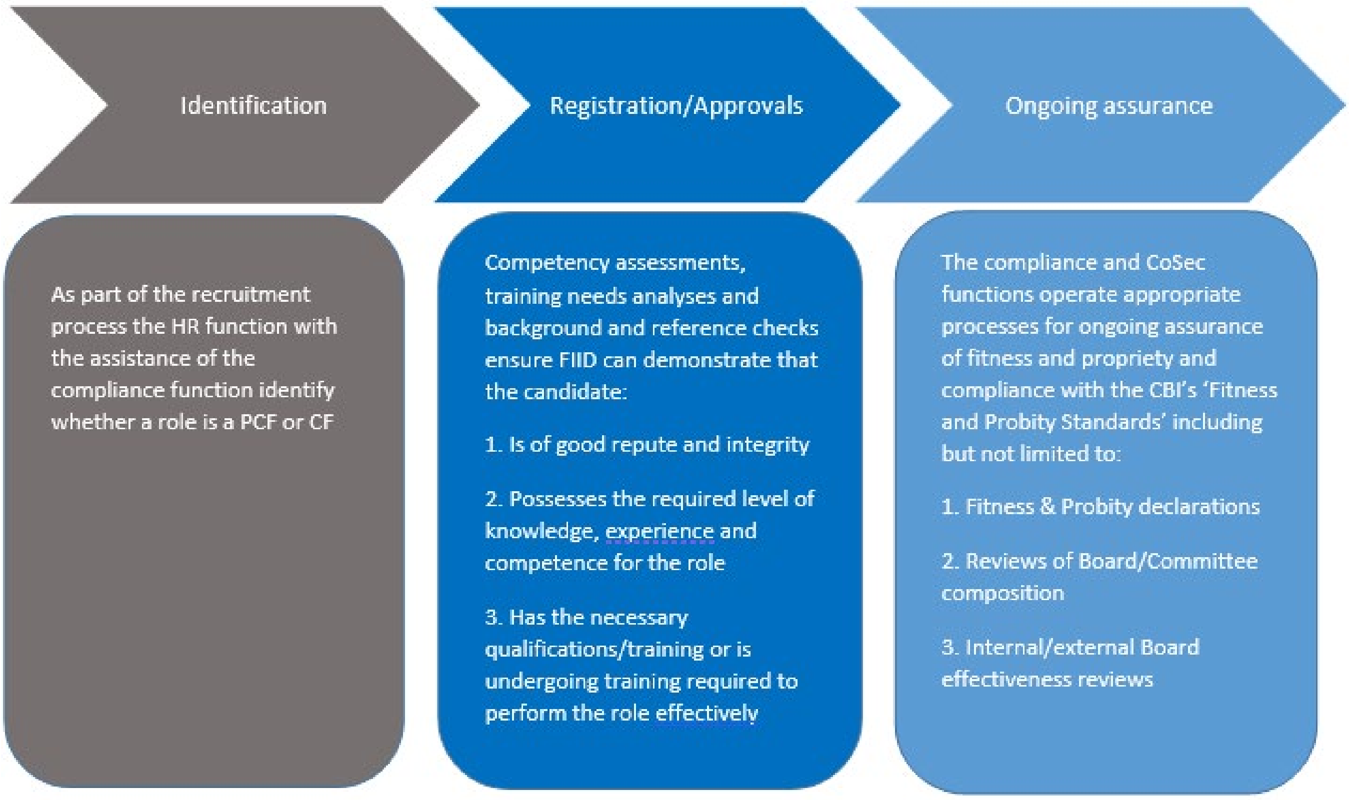
The Company's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or other key function holders. The Company offers all staff the choice of making contributions into a defined contribution pension scheme, subject to applicable pension rules. Where employer pension contributions may exceed the annual allowance cap, the company offers all employees the option of an equivalent salary supplement (payable less employer's PRSI).

B1.4 Material transactions with the shareholder, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

The Company received capital contributions from FIBL in March 2022 for $20.0 million and May 2022 for $20.0 million (2021: contribution of $Nil). These capital contributions were approved by the CBI as tier 1 capital.

B2. FIT AND PROPER REQUIREMENTS

FIID operates Fitness and Probity procedures which governs the recruitment, approvals, induction, training and ongoing assessment of the Fitness and Probity for those individuals performing Controlled Functions (including Pre-Approval Controlled Functions ("PCF").



B3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B3.1 Risk management system

FIID operates the Group Risk, Capital and Solvency Management Framework (“the Framework”) leveraging Group capabilities and governance structures whilst maintaining FIID local accountability with the FIID Board.

The approved risk management framework is designed to identify, measure, manage and report on the exposures that FIID faces.

1) *Identification* – the risk exposures that could materially impact FIID in achieving its objectives are identified through the quarterly risk review process with each of the risk owners and the emerging risk process.
2) *Measurement* – these risks are quantified and ranked in the operational risk register in terms of the impact that they would have on FIID if the risk were to materialise. With respect to the aggregation of the underwriting exposures, these are monitored on at least a quarterly basis to ensure that they remain within the FIID Board’s approved risk appetite levels.
3) *Management* - where a risk exposure has exceeded the FIID Board’s risk appetite or the risk levels are more generally considered to be higher than desirable, management identifies suitable actions to either transfer, avoid or mitigate the risk level.
4) *Reporting* – a summary of all key material risk exposures is reported to the FIID Board on a quarterly basis. Where there has been an exceedance in the FIID Board’s risk appetite, the report details management’s plans to transfer, avoid or mitigate the risk, where appropriate.

The Framework is founded upon a clear understanding and articulation of the risk universe to which FIID is, or could be, exposed. This universe encompasses those intrinsic risks that are fundamental to FIID’s business (such as underwriting and market risk), operational risks (that may crystallise either independently of, or be correlated with intrinsic risk) and those more subjective yet nevertheless important sources of risk such as emerging risk.

The classification of subcategories of risk into those “core” risks that are actively pursued to optimise FIID’s risk adjusted return, and those “non-core” risks that are a necessary consequence of the business but have little or no potential to generate a reward, is reflected throughout the framework.

For each category of risk, the FIID Board has an established risk appetite comprising qualitative statements supported by specific tolerances (expressed in quantitative terms where appropriate) against which risk exposures are monitored and managed. This appetite is adjusted over the business cycle in response to market conditions and the strategic and tactical drivers over the horizon of the business plan.

Monitoring and reporting of the risk, capital and solvency position is performed on both an actual and, where meaningful prospective basis with a frequency that is proportionate to the materiality and volatility of risk presented by each category of risk defined in the universe, and reported quarterly as part of the CRO report.

FIID has embedded the principles of effective risk management and the ORSA in its core business processes - the forward-looking assessment of risk, capital and solvency adequacy being integrated into the strategic decision making and continuous monitoring processes.

The significant quantifiable risks that FIID will face are set out below:

Risk Category	Risk Description
Non-life underwriting risk	This risk arises from two sources – adverse claims development (reserve risk) and underwriting (premium risk).
Market risk	The risk that the value of the Company's assets falls or that there are adverse currency swings.
Counterparty default risk	The risk of default of one of FIID's reinsurers or intermediaries.
Operational risk	The risk of losses resulting from inadequate or failed people, processes, systems or from external events.

Each of these risks has been captured in the overall solvency needs of FIID through the calculation of the SCR using the Solvency II Standard Formula, the setting and monitoring of risk appetite tolerances for each of the risks, and consideration of how the risk exposures are likely to change over the planning period in both normal and stressed environments.

Other than liquidity risk, which is not explicitly captured by the standard formula SCR, there are no identified quantifiable material risks faced by FIID that are not currently considered to be included in the SCR as calculated by the Standard Formula. The details as to how the Company monitors and mitigates against liquidity risk are detailed in section C1.4.

i. Governance and structure

The FIID Board retains sole authority for setting the risk and capital appetite for the Company within the context of the overall Group and taking into account any recommendations from FIID Board committees and management.

The Board receives comprehensive risk and capital reporting on at least a quarterly basis and at such other times as required due to an actual or projected change in the Company's risk, capital or solvency profile. The Risk and Capital Committee ("RCC"), a committee of the Board, supports the Board in ensuring the continued effectiveness and appropriateness of the framework - reviewing, challenging and making recommendations upon its outputs.

The RCC and Board are supported by management's Risk and Return Committee ("RRC") in the day-to-day maintenance of the framework and its underlying components. It meets approximately monthly, which affords an appropriate level of review and challenge. A summary of the RRC work in the period and any issues and recommendations for Board attention are reported through the CRO report to the RCC.

The Board and committees are supported by the risk management, actuarial, compliance, legal and audit functions.

ii. Core processes

The risk, capital and solvency management framework is delivered through a series of business processes operated with a frequency designed to provide on-going management of the Company's changing risk profile, capital and solvency position on both a current and projected basis that is proportionate, whilst addressing stated regulatory reporting requirements.

The core elements of the process include:

- **Strategic Planning**

  The annual strategic planning process provides projections based on a range of potential economic and market scenarios. The review revisits and restates the Company's strategic risk and return aims to evaluate the prospective performance of the business model. The strategy is reviewed annually by the Board.

- **Business Planning**

  The business planning process incorporates a forward-looking projection of the risk, capital and solvency profile of the Company and associated strategies. It includes the assessment of a range of potential business scenarios supported by the use of stress testing, to test forecast capital adequacy, volatility and viability and inform capital and liquidity management strategies and associated contingency plans.

  The proposed plan is subject to Board challenge and approval and formalises the risk / return objectives, risk and capital appetite, underwriting, and investment and capital management plans for the coming year against which performance is assessed.

  The process involves extensive input from risk management, the actuarial function, and the RRC, with a key output being the CRO's review of the business plan covering a series of summary assertions relating to risk, capital and solvency matters noting any exceptions or recommending changes to the risk, capital and solvency appetite.

  The plan is reviewed and approved by the Board in the fourth quarter and updated in the first quarter of the following year with the benefit of the year-end and key January renewals and forms the core of the annual ORSA process.

iii. Quarterly risk, capital and solvency review

The risk function provides the RCC with a review of the risks facing the Company at least quarterly and at any other time as required in the interim in response to a material actual or proposed change in its risk, capital and solvency profile.

The review provides an analysis of the risk, capital and solvency profile of the Company against the Board approved risk appetites as well as considering a forward-looking view of the risks that it faces

B3.2 Own risk and solvency assessment

The ORSA is the forward-looking process by which the Board can monitor the risks to the business and assess the impact of those risks on the capital adequacy of the business. The Board uses the ORSA to inform its future business decisions and to ensure that any risk remaining after controls have been applied is within the parameters of FIID's risk appetite.

The ORSA process is undertaken on a formal basis at least annually as part of FIID's annual business planning process. A full or partial ad hoc ORSA process is undertaken if there has been a material change in FIID's risk profile.

FIID has embedded relevant ORSA processes into the quarterly business as usual internal reporting. This information includes monitoring the level of risk faced against the Board approved risk appetite, as well as strategic developments and their potential impact on the required level of capital. This all forms a key part of the ORSA-related internal documentation and the quarterly reporting to the FIID Risk and Capital Committee and the FIID Board.

Following the completion of each ORSA process, the results are documented and reported to the FIID Board for review and approval. In line with EIOPA guidance and CBI requirements, a supervisory report of the results of this assessment was provided to the CBI within two weeks of the Board approval.

Through the performance of the ORSA process and based on the business strategy and plan, FIID determines its overall solvency needs by considering its current and projected risk profile, regulatory capital requirements, and risk appetite tolerance limits.

The results of the ORSA process are considered on an on-going basis in decision-making in respect of the Company's capital management activities and risk framework development.

The latest formal ORSA process was conducted as part of FIID's consideration of a change to its business plan in Q2 2022. It was approved by the FIID Board in June 2022 and subsequently submitted to the CBI.

B4. INTERNAL CONTROL SYSTEM

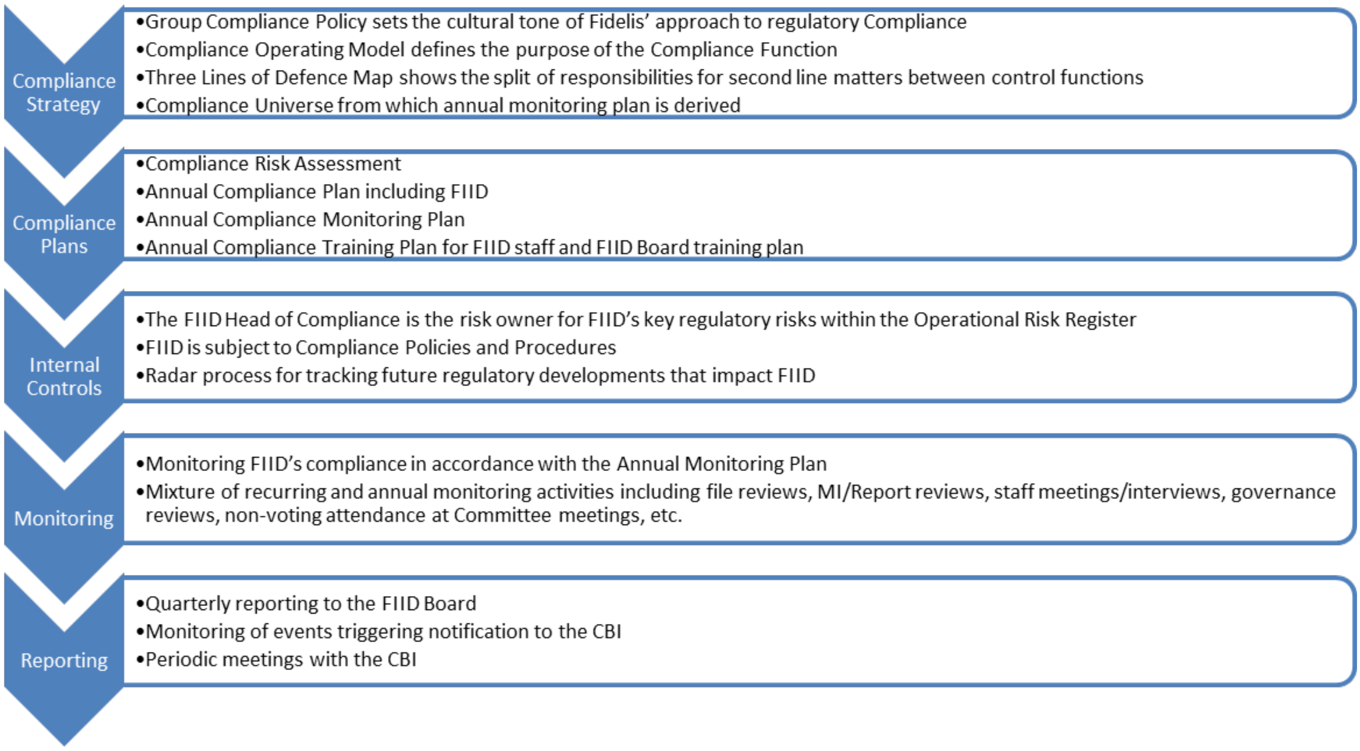
B4.1 Description of internal control system

Significant internal policies are approved at Group level by the FIHL Board, with subsequent approval by the subsidiary boards who may either approve the policy, approve subject to amendments, or decline to approve the policy, with a resulting referral back to the FIHL Board for reconsideration. Group level policies provide a statement of intent, with internal procedures intended to embed and achieve the policy being driven, owned and approved by senior management.

Internal controls have been adopted in such a way as to ensure that they are aligned with each other and to the business strategy and are subject to a risk-based periodic review cycle. All key internal controls are recorded in the risks and controls register so as to be capable of second line monitoring and third line audits.

B4.2 Implementation of the compliance function

The FIID compliance function is led by the FIID Head of Compliance who reports into the FIID CEO. A summary of the compliance risk management framework is below:



The compliance function seeks to be a trusted advisor to the business, driving and supporting innovation whilst partnering with the business and regulators to ensure regulatory obligations are met. The compliance function seeks to ensure that FIID's culture and behaviours put clients' interests at the heart of its business activities and that FIID acts with integrity in the market.

B5. INTERNAL AUDIT FUNCTION

B5.1 Implementation of the internal audit function

The internal audit department is resourced both internally by the Group HIA and three staff internal auditors, one based in Dublin, and through a panel of co-source service providers. The Group HIA has drafted and the FIID Audit Committee has approved and recommended to the FIID Board:

- An audit charter;
- An audit universe;
- A budget for co-source resource;

- A rolling plan for testing of financial reporting controls; and
- An annual audit plan.

The Group HIA drafted and maintained the audit universe which is presented to the FIID Audit Committee annually as part of the audit plan approval process. The audit plan is risk-based and constructed using several inputs including the risk and controls register, discussion with management, discussion with the external auditor, KPMG, and input from the co-source providers. The overriding factor in deciding what is on the audit plan is the Group HIA's experience and opinion to ensure the audit plan is independent of management and management's view of risk. The audit plan is reviewed regularly, with any changes deemed necessary by the Group HIA approved by the FIID Audit Committee. The Group HIA, using in-house or co-source resource, as agreed by the FIID Audit Committee, will then execute the audit plan.

The internal audit department aims to comply with industry best practice wherever possible. This includes the principles set out by the IIA. In 2017 the IIA issued guidance for Effective Internal Audit in the financial services sector. A gap analysis is maintained to identify any areas of non-compliance.

There is a quarterly report issued to the FIID Audit Committee reporting on the activities of Internal Audit over the prior quarter, specifically:

- Progress of completion of the audit plan;
- Summary of audit work completed in the quarter including reports issued;
- Progress with the clearance of agreed actions;
- Overdue agreed actions;
- Proposed changes to the plan if necessary;
- Budget usage for co-source; and
- Any other matters.

The Group HIA, in conjunction with the business plan to be approved by the FIID Board each year, presents an annual audit plan, typically in the fourth quarter, for approval by the FIID Board.

B5.2 Independence and objectivity of internal audit

The following key procedures are in place to ensure that internal audit is independent and objective:

- Primary reporting line – The Group HIA has a direct reporting line to the Chair of the FIID Audit Committee;
- Secondary reporting line – The Group HIA's secondary reporting line on a day-to-day basis is to the Group CFO;
- Group HIA compensation – All compensation arrangements for the Group HIA are subject to Group Compensation Committee review and approval, removing any management influence over the Group HIA compensation;
- HIA Appraisal – this will be performed in the first instance by the Group CFO and is then reviewed and approved by the Chair of the Group Audit Committee;

- Audit Committee private session – the FIID Audit Committee, as per its quarterly standing agenda item, may request a closed session with the Group HIA at its regularly held meetings. Furthermore, it is compulsory at least annually for the Group HIA to have a closed session with the FIID Audit Committee. This ensures that the Group HIA can relay any serious concerns without management present;
- The HIA and Chair of the Audit Committee have a private meeting pre-Audit Committee every quarter to discuss all Audit Committee materials provided by the HIA. At this meeting the HIA has the opportunity to raise any concerns he may have;
- Agreement of audit reports – the Group HIA is responsible for agreeing and issuing all internal audit reports and being satisfied that any raised actions have been appropriately addressed and closed; and
- Internal audit policy – the approved policy provides for the audit team to have unfettered access to all staff, records and information of the Company as they see fit while conducting audits.

B6. ACTUARIAL FUNCTION

The FIID Head of Actuarial Function ("HoAF") is supported by the Group actuarial function, led by the UK Chief Actuary, which consists of a number of qualified actuaries, analysts and catastrophe modellers. The function is also supported by an external consultancy, Dynamo Analytics, who provide actuarial support and peer review.

Key responsibilities include the valuation of the technical provisions, opining on the underwriting policy, reinsurance arrangements and calculating the standard formula Solvency Capital Requirements (SCR) as well as assessing the appropriateness of the standard formula being used to calculate the SCR. The function is integral to building and maintaining pricing models, as well as carrying out case pricing and catastrophe and exposure modelling.

The work performed by the function and the resulting opinions, are documented at least annually in the actuarial function report. The function reports its activities and findings to the FIID Board.

It is the responsibility of the actuarial function to report on each of the above areas, and in addition to this, make recommendations to remediate any deficiencies identified.

The FIID HoAF is responsible for ensuring that there is sufficient independence in the activities undertaken by the actuarial function. Independence is supported by the following factors:

- All actuaries within the function are members of actuarial associations and subject to both professional and technical requirements;
- An external reserve review is carried out at year end providing the Board with an alternative view;
- Key tasks of the function are subject to governance through the Audit Committee, RRC and/or the FIID Board. These committees include all non-executive directors ensuring familiarity and adequate challenge;
- All tasks of the function are subject to internal audit on a regular basis which aids identification and escalation of deficiencies; and
- The FIID HoAF role is an approved position and is subject to approval by the CBI.

B7. OUTSOURCING

FIID operates an Outsourcing Policy and Outsourcing Procedure ("Outsourcing Controls"). This applies to any form of agreement between FIID and an external third party, where the latter performs a (re)insurance activity or undertakes a key function on behalf of FIID, which FIID would otherwise perform itself. An outsourced service is regarded as critical or important if a defect or failure in its performance would have a material, negative impact on:

1. The quality and continuity of providing core services to the policyholders;
2. FIID's continuing compliance with the conditions and obligations of its authorisation;
3. FIID's ability to comply with other regulatory obligations.

The Outsourcing Controls require appropriate consideration of the operational, regulatory and other risks associated with the activities to be outsourced, both prior to signing the agreement and in monitoring after the agreement is signed.

Where there is critical or important outsourcing arrangement, the outsourcing controls require the following levels of additional scrutiny:

<u>Prior to executing the arrangement</u>

- Enhanced due diligence
- Minimum contractual requirements
- FIID Board approval of the outsourcing arrangement
- Parent Board approval if the outsourcing arrangement is critical for the Fidelis Group as a whole
- Notification to relevant regulators

<u>After executing the agreement</u>

- Frequent monitoring by the function owner of the outsourcing relationship
- Quarterly Board reporting
- More stringent renewal requirements

As at 31 December 2022 FIID outsourced the following critical functions listed below:

Function	Location of outsourced service provider	Rationale for outsourcing	Function responsible for oversight
Investment Custodian/ Administrator and investment Accounting Services	United States of America	Administration of a portfolio of fixed-income securities is a technical job that requires significant investment in people and technology. At current size of assets, it would be not economical to do this in-house. Outsourcing enables FIID to have its portfolio independently priced.	Finance
Data Storage	United Kingdom	The Fidelis IT strategy is to seek best-of-breed capability providers across as few external providers as possible. Outsourcing allows scalable Data Storage capabilities.	IT
Solvency II Technical Provisions and other Actuarial Support	United Kingdom	FIID would not currently be able to economically perform the level of Actuarial and Technical work required for calculating, evaluating and monitoring Solvency II Technical Provisions.	Actuarial
Underwriting Systems Support	United Kingdom	The Fidelis IT strategy is to seek best-of-breed capability providers across as few external providers as possible. The outsourcer's expertise is utilised for design and maintenance of underwriting system and a new claims and policy administration system.	IT

In addition to the above, there is a master intra-group services agreement and a number of non-material outsourcing agreements in place.

B8. ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE

The system of governance and its effectiveness is subject to annual review by the compliance function, which reports to the Board. During the year, the following assessments were performed:

1. An annual review undertaken by the compliance function to ensure that FIID complies with the governance requirements set out in the CBI's Corporate Governance Requirements for Insurance Undertakings (2015). Additionally, an annual compliance statement stating that FIID materially complies with its obligations and requirements under the Corporate Governance Requirements for Insurance Undertakings 2015 was approved by the Board and submitted to the CBI.
2. An annual Board effectiveness review is undertaken, with the results reported to the Board.

C. RISK PROFILE

C1. RISK CATEGORIES

C1.1 Non-life underwriting risk

i. Overview of assessment of non-life underwriting risk

Underwriting risk arises from the Company's general insurance business and refers to the risk of loss, or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions.

Examples of non-life underwriting risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Company's underwriting and reinsurance strategies are set within the context of the overall Fidelis strategies, approved by the Board and communicated clearly throughout the business through policy statements and guidelines. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

ii. Risk mitigation techniques for non-life underwriting risk

Premium risk

Building on the foundation of strict underwriting and individual underwriter authorities, the Company operates a system of peer review to a high level of sophistication, depth and scope of application.

All new risks and renewals are required to be presented to the daily UMCC (or “the call(s)”), normally prior to terms being offered and in the event of a material change in terms, exposure or pricing from that agreed previously. The call is designed to ensure the cooperative and collegiate management of insurance risk, ensure that individual underwriters draw upon the expertise of their peers, and avoid silos of underwriting. Where delegated authorities are accepted, the master contract will be reviewed at the UMCC as well as by the Operational Review Group although declarations or risks attaching to such covers may not be.

In addition to underwriters, the calls are frequently attended by representatives from actuarial, exposure modelling, capital modelling, risk, claims, finance, legal and compliance functions to provide appropriate expertise and challenge. Regular attendance of the Group CRO and FIID CRO provides an additional layer of defence and supports them in keeping abreast of actual, projected and potential emerging risk issues in real time.

Product design and pricing aims to minimise adverse selection of risks and use appropriate rating factors to differentiate between levels of risk.

A key aspect of the Company’s strategy for risk mitigation centres on the use of outwards reinsurance for the inwards portfolio. Outwards reinsurance allows FIID to manage capital more effectively, to reduce and spread the risk of loss on insurance and reinsurance business and to limit the Company’s exposure to multiple claims arising from a single occurrence.

The FIID Board primarily approves the purchase of outwards reinsurance as a part of the approval of the business plan. The main reinsurance treaty for FIID is an IGR quota share treaty with FIBL. FIID also purchases additional facultative and treaty reinsurance protection as the FIID CUO deems necessary, on behalf of the Board. The

Group also purchases proportional and non-proportional treaty placements, with the knowledge of the FIID CUO.

The Company plans to continue to use outwards reinsurance as one of its main underwriting risk mitigation techniques over the business planning time horizon.

Reserving risk

As the majority of the Company's portfolio is expected to benefit from a short period of discovery of loss, the reserves will relate to claims notified against which the Company will hold individually evaluated case reserves and incurred but not reported ("IBNR") reserves. These reserves are expected to be less material from a risk perspective than peers with longer tail business.

The Company aims to set reserves at a level that limits the potential impact of reserve deterioration on overall return on equity whilst avoiding the taxation, reputational and regulatory risks that could result from systematic or excessive over-reserving.

FIID's stated risk tolerance level is that it has no appetite for setting case reserves below the levels advised by internal or external claims adjusters and counsel, nor does it have appetite to set IBNR reserves below the mean best estimate determined in consultation with internal and external actuaries.

In addition to the quarterly review cycle operated by the Fidelis actuarial function, the level of reserves across all classes are subject to a full external actuarial review annually.

iii. Risk assessment of non-life underwriting risk

Premium risk

Elemental (e.g. wind, earthquake) and non-elemental (e.g. terror, financial risk) exposures are monitored when relevant on a range of metrics set out in the Board approved risk appetite, based upon data from the in-house underwriting system combined with the use of external and proprietary modelling techniques.

FIID is primarily exposed to non-elemental exposures, for such exposures, where stochastic modelling capabilities are not available, the process considers a range of RRC approved deterministic Realistic Disaster Scenarios ("RDS") designed to represent hypothetical extreme but nonetheless credible potential loss scenarios. These are supplemented by internally modelled loss distributions projecting potential losses at a range of return periods similar to the approach applied to elemental exposures. The deterministic RDS scenarios also include those defined in the standard formula that materially influence the Company's SCR.

Reserving risk

In respect of reserving risk, in addition to the quarterly review cycle operated by the Fidelis actuarial function, the level of reserves across all classes are subject to a full external actuarial review annually.

iv. Risk concentration of non-life underwriting risk

Non-life underwriting risk concentrations may occur in relation to geographic regions, geographic locations, industry sectors, and insured counterparties. The potential for the build-up of concentration risk is monitored on a frequent basis against the Board's stated risk appetite for such concentrations.

C1.2 Market risk

i. Overview of assessment of market risk

The Company seeks to optimise its investment income whilst focusing on ensuring it maintains sufficient capital to meet solvency requirements and maintain sufficient liquid funds to meet liabilities when they fall due. Exposure to market risk is therefore limited to the extent that investment strategies are balanced by these primary objectives.

Market risk is divided into three subcategories: investment risk, currency risk, and asset and liability matching risk. We assess our risk asset exposures whenever there is volatility in the equity markets.

ii. Risk mitigation techniques for market risk

Investment risk

The key drivers of investment risk are a function of the fixed income strategy that the Company has chosen to follow. The primary drivers of risk in the fixed income portfolio are shifts in the yield curve (interest rate risk) and the credit quality of the investment (spread risk).

The investment portfolio performance and risk are managed at an aggregate portfolio level. The investment strategy and investment types have been chosen specifically to construct an investment portfolio that ensures the credit quality, duration, and value at risk remain within the risk tolerances set out in the risk appetite. The investment portfolio's key metrics are included in the quarterly CRO report to the FIID RCC and the FIID Board.

FIID contracts with its portfolio managers for the provision of investment management services. The Company's investment guidelines and risk, capital and solvency appetite formalise FIID's appetite for investment risk at the portfolio level.

Extensive due diligence of investments is undertaken prior to finalising these investment guidelines. This due diligence considers many aspects of the investment decision including the potential for adverse aggregations and correlations with other elements of the investment portfolio and the underwriting portfolio.

A strategic asset allocation exercise is undertaken regularly in conjunction with the investment managers which takes into account the Company's risk tolerance levels and investment objectives. Investment decisions are made in line with the Company's investment guidelines and the prudent person principle.

An increase or decrease of 25 basis points ("BPS", a measurement where one BPS is equal to 0.01%), in interest yields would result in additional loss or gain for the year of $0.3 million (2021: $0.5 million) with an equal impact on net assets, assuming all other assumptions remain unchanged.

The high credit quality nature of the fixed income portfolio provides a level of mitigation against spread risk.

Currency risk

Currency risk exposures arise due to assets and liabilities being held in differing currencies. Whilst the Company accepts a degree of currency risk as a natural consequence of operating across multiple currencies, it has no desire for speculative exposure as a means to value creation.

The Group's risk appetite limits currency mismatches to $5.0 million equivalent per currency and mitigation activities must be implemented within 14 days of completion of quarterly management accounts, recognising that doing so at individual operating entity may be disproportionate and in theory potentially trigger inefficient risk management action.

Recognising that the variability in individual currencies is something over which the Company has no control, it therefore seeks to limit its actual exposure to currency risk through asset liability matching including, and where appropriate, currency hedging strategies that are undertaken at the Group level taking into account FIID's own exposures.

The Group's and FIID's actual net currency matching exposure is reported in the quarterly CRO report to the FIID RCC.

Asset and liability matching risk

Asset and liability matching risk is defined as the risk that the Company either does not have available sufficient financial resources to enable it to meet its medium to long term financial obligations due to for example, a currency or duration mismatch in its assets and liabilities.

These risks arise from open market positions in interest rate and currency products, both of which are exposed to general and specific market movements.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It manages these positions within a risk management framework that incorporates a Board-approved risk appetite limit that defines the maximum currency and duration mismatches that are allowed, as well as the investment portfolio being developed to ensure that investment proceeds and returns and available cash are in excess of obligations under insurance contracts.

iii. Risk assessment of non-life market risk

Investment Risk

The aggregate risk level is managed through the adherence to the investment guidelines with the portfolio managers. The investment portfolio is monitored and reviewed on an ongoing basis to ensure adherence to credit limit guidelines. In addition, there are limits on the amount of credit exposure to any one issuer, except for US government securities.

The investment portfolio is also monitored on a quarterly basis to ensure that the following risk metrics remain within the Board's stated risk appetite:

- The average portfolio duration;
- The average portfolio credit quality;
- The minimum credit quality at time of purchase; and
- Value-at-Risk.

The Company monitors interest rate risk on at least a quarterly basis by calculating the duration of the investment portfolio. Duration is an indicator of the sensitivity of the assets to changes in current interest rates.

Investment risk is also assessed as a part of the stress and scenario testing undertaken as a part of the ORSA process.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

An increase or decrease of 10% in the US dollar would result in additional loss or gain for the year of $1.0 million (2021: $0.6 million) with an equal impact on net assets, assuming all other assumptions remain unchanged.

Currency risk

FIID assesses its exposure to currency risk through its regular monitoring against the Board agreed risk appetite limits.

The Group's and FIID's actual net currency matching exposure is reported in the quarterly CRO report to the FIID RCC.

Asset and liability matching risk

FIID assesses its exposure to asset and liability matching risk through its regular monitoring against the Board agreed risk appetite limits in respect of currency mismatches and the average durations of the investment and liability portfolios.

The Group's and FIID's actual net currency matching exposure and investment and liability portfolios are reported in the quarterly CRO report to the FIID RCC.

iv. Risk concentration of market risk

Market risk concentrations may occur in relation to geographic locations, currency, asset duration, industry sectors and counterparties. The potential for the build-up of concentration risk is monitored on a frequent basis against the investment manager guidelines, investment portfolio benchmarks (that are based upon the findings from the strategic allocation exercise), and the Board's stated risk appetite limits.

C1.3 Counterparty default risk

i. Overview of assessment of counterparty default risk

Counterparty default risk exposures relate to the potential failure of a third-party to meet their financial obligations to the Company, and explicitly excludes counterparty default risk in relation to the investment portfolio. Key areas where the Company is exposed to counterparty default risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders; and
- Amounts due from insurance intermediaries.

ii. Risk mitigation techniques for counterparty default risk

The risk management approach to counterparty default risk is designed to limit potential reinsurance and broker counterparty default to a level consistent with the risk appetite through a combination of:

- Appropriate counterparty selection;

- Appropriate levels of diversification in the portfolio;
- Appropriate mitigation in respect of external counterparties with a lower security rating through the use of collateralisation and/or downgrade clauses as appropriate; and
- Monitoring changes in security and taking appropriate remedial action as required.

The Counterparty Security Committee meets at least half yearly, and ad hoc as new partners are proposed. The RRC monitors the Group's aggregations which are reported to the FIHL, FIBL and FIID RCCs and Boards on a quarterly basis in the CRO Report. In certain circumstances, deposits from reinsurers are also held as collateral.

Intra-group reinsurer counterparty

The counterparty risk presented by the IGR arrangement is mitigated through the use of collateralisation in the form of a trust account with BNY Mellon as trustee, FIBL as grantor and FIID as beneficiary. FIBL has deposited assets in the trust account, to secure its obligations to FIID, under the IGR arrangement.

As at the end of 2022 the FIID Board set a minimum level of collateralisation of between 111% and 116% of the sum of a) FIID's reserves for losses and loss adjustment expenses reported and outstanding and incurred but not reported; and b) FIID's unearned premium reserves minus premiums payable and deferred acquisition costs, provided that this number shall never be less than zero. Confirmation that the level of actual and required collateral has been met is monitored and reported quarterly to the FIID Board.

Intermediary counterparty risk

Whilst in theory FIID has significant exposure to counterparty risk in respect of its dealings with insurance intermediaries, in practice these are limited through the use, for the most part, of non-risk transfer terms of business.

Due to the significant growth in the company, unallocated cash and overdue balances have increased. Appropriate steps have been taken to reduce overdue amounts and the time taken to allocate cash. Credit control meetings, where delinquent accounts are reviewed, are held weekly and include a representative from underwriting, finance and operations. Weekly meetings are held with underwriters who assist with the collection of premiums when required and if no response is forthcoming, a notice of cancellation may be issued.

FIID is prepared to tolerate pre-determined levels of outstanding broker balances reflecting the concentration of business in the markets in which it operates subject to regular monitoring and the reporting of material exposures to management and the Board. Credit control policies and procedures are in place to ensure all money owed to FIID is collected and to ensure that cash received is allocated appropriately. Documented credit control meetings, where delinquent accounts are reviewed, are held monthly and representatives from underwriting, finance, operations and claims and involved as appropriate. Underwriters assist with the collection of premiums when required and if no response is forthcoming, a notice of cancellation may be issued.

ii. Risk assessment of counterparty default risk

Reinsurance is used to manage and mitigate underwriting risk; however, this does not discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of its reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

Exposures to individual policyholders, groups of policyholders and intermediaries are also monitored on an ongoing basis through the company's credit control processes.

The risk appetite limits on the level of intermediary and reinsurance counterparty default risk are reviewed and approved annually by the FIID Board.

Counterparty default risk is also assessed as a part of the stress and scenario testing undertaken as a part of the ORSA process. No FIID credit limits were exceeded during the year. No financial assets are impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

iv. Risk concentration of counterparty default risk

Counterparty default risk concentrations may occur in relation to either reinsurer counterparties, insurance contract holders or insurance intermediaries. The potential for the build-up of concentration risk is monitored on a frequent basis against the Board's stated risk appetite limits.

C1.4 Liquidity risk

i. Overview of assessment of liquidity risk

Liquidity risk relates to the risk of the Company being unable to meet its liabilities as they fall due because of a lack of available cash. FIHL has unconditionally and irrevocably guaranteed all of FIID's financial obligations.

ii. Risk mitigation techniques for liquidity risk

FIID's investment portfolio consists of a highly liquid fixed income portfolio and cash. The Company's investment guidelines and risk, capital and solvency appetite formalise FIID's appetite for liquidity at the portfolio level. This level of required liquidity across the overall portfolio is one of the drivers for the construction and maintenance of the investment portfolio. This results in liquidity levels being maintained significantly in excess of that which would otherwise be required to support projected outflows related to insurance obligations even in stressed scenarios.

The Company's exposure to liquidity risk is regularly monitored through its liquidity risk appetite which is dominated by its strategic imperative to maintain a highly liquid investment portfolio. The Company maintains a predominantly fixed-income portfolio, with the main goal of the investment policy to maximise income under the constraints of capital conservation.

Subject to maintaining sufficient liquidity in aggregate across entities, FIID has the ability to perform intragroup transactions in the event of temporary liquidity shortfalls at individual entity level. This obviates incurring costs that might result from raising entity-specific liquidity through external means. As such, management do not believe it necessary to cascade formal risk tolerances and associated risk reporting requirements to entity level and instead report the overall Group position to all Boards.

The target minimum level of Group liquidity is designed to ensure that the Company can satisfy policyholder liabilities in a stressed environment requiring sufficient cash liquidity at 5 days, 30 days and 180 days to cover a variety of pre-defined gross man-made and natural catastrophe loss events. FIID's portfolio consists of a highly liquid fixed income portfolio and cash. The Company's investment guidelines and risk, capital and solvency appetite formalise FIID's appetite for liquidity at the portfolio level. This level of required liquidity across the overall portfolio is one of the drivers for the construction and maintenance of the investment portfolio. This results in maintaining liquidity significantly in excess of that which would otherwise be required to support projected outflows related to insurance obligations even in stressed scenarios.

Furthermore, FIID has the right to request immediate settlement of material recoveries under the IGR agreement with FIBL.

iii. Risk assessment of liquidity risk

Liquidity risk is assessed on a regular basis against the stress tests defined in the Company's liquidity risk appetite statement, as well as a part of the stress and scenario testing undertaken as a part of the ORSA process.

The results of the stress tests and the amount of the invested assets that are expected to be able to be liquidated within 5 days are reported to the FIID RCC and Board in the CRO report.

iv. Risk concentration of liquidity risk

Liquidity risk concentrations may occur in relation to the nature of the underlying assets that FIID invests in, as well as the custodians, banks, credit institutions and bond issuers that FIID places its cash and investments with.

The potential for the build-up of concentration risk is monitored on a frequent basis against investment manager guidelines, investment portfolio benchmarks (that are based upon the findings from the strategic allocation exercise), and the Board's stated risk appetite limits.

In order to stress our liquidity position, a test was developed where our largest 1-in-100 net PML exposure allowable within the risk appetite coincides with a failure of our external Excess of Loss reinsurance programme. FIID is expected to have access to a sufficient level of liquid funds to meet the gross claims payment as under the terms of our intragroup reinsurance arrangements, FIID can require settlement of a large reinsurance recovery prior to the payment of the original gross claim.

v. Expected profit included in future premiums ("EPIFP")

Liquidity risk also takes account of EPIFP. The Company recognises that EPIFP can contribute to an increase in future net cash flows and therefore can act to reduce liquidity risk.

EPIFP is the expected present value of the future cash-flows of legally obliged insurance contracts where the future incomings are larger than future outgoings. This value forms part of the calculation of Solvency II technical provisions.

The EPIFP as at 31 December 2022 is $34.4 million (2021: $75.0 million). The calculation of the EPIFP has been performed to understand the level of expected profit within premiums that are expected to be received in the future. This calculation has inherent uncertainty as it is on a planning basis and actual outcome may differ materially.

C1.5 Operational risk

i. Overview of assessment of operational risk

Operational risk relates to the risk of losses arising from adverse external events, or from inadequate or failed processes, people or systems. FIID sets high standards for its operations and maintains a simple operating structure designed to limit operational risk and ensure effective identification and appropriate action in the event of risks crystallising.

Operational risk is considered from a range of internal and external sources according to whether it has the potential to exacerbate the intrinsic losses that may be suffered and / or crystallise in a specific financial loss or other adverse impact.

Sources of risk are considered under the following broad categories:

- Failure of a core business process, people or system to contain intrinsic risk within the Board's approved appetite e.g. failure to underwrite within underwriting authority / maximum lines;
- Failure of a process, people or system and / or external events leading to a specific financial loss or impact over and above that resulting from intrinsic risk exposures e.g. a failure to comply with anti-money laundering policy resulting in fine or sanction; and
- Failure of process, people or systems leading to loss of opportunity (i.e. not necessarily a capital impact but one that adversely impacts potential risk adjusted returns) e.g. failure to effectively maintain broker relationships leading to a loss of income.

ii. Risk mitigation techniques used for operational risk

The Company maintains an operational risk and controls register encompassing all material operational risks and the controls designed to prevent, mitigate or detect them.

On a quarterly basis the CRO and/or a member of the risk management function meets with individual risk owners to discuss and document any changes to risks, controls or processes. The meeting includes an open discussion encompassing changes to business and processes, new or developing emerging risks and any other topics raised by the risk owners.

A disaster recovery plan and a business continuity plan are both in place to mitigate the impact to the Company of a failure in FIID's IT systems or a loss of access to its premises.

In respect of key person risk, Fidelis has succession plans in place that are reviewed and updated on at least an annual basis to mitigate the impact of the departure of key individuals from the organisation.

The utilisation of documented policies and procedures also mitigates against the risk of a loss of knowledge from the Company.

iii. Risk assessment of operational risk

On at least an annual basis, and at such points in the development of the Company where material changes are made to the operating structure, relevant risk owners are required to reassess and reaffirm the full scope of risks, controls and related assessments for which they are responsible.

The resulting assessment is recorded and subject to review, challenge and approval by the risk management function.

An assessment of key risks and any material changes in the period is reported by the CRO to the RCC supported by a summary of key points from the risk owner discussions. Material changes to the scope, nature or assessments of risks and controls are reported to the internal audit function to inform the audit planning and review process.

In the event of a material operational risk crystallising, a risk learning exercise will be undertaken to understand the root causes and identify mitigating factors or steps to reduce the probability and / or impact of a recurrence where appropriate.

The conclusions from this exercise and the results of the follow up action will be reported to senior management and agreed with the relevant risk / control owner(s) and summarised in CRO reporting to the RCC and the FIID Board.

Operational risk is also assessed as part of the stress and scenario testing undertaken within the ORSA process.

iv. Risk concentration of operational risk

Operational risk concentrations may occur in relation to an overreliance on key individuals within the organisation, or dependency on third parties, key systems and processes that the Company utilises.

Operation risk is monitored on a frequent basis against the Board's stated risk appetite limits.

C1.6 Other material risks

Emerging risk

i. Overview of assessment of emerging risk

Emerging risks are defined as the risks that are either previously unknown, or which were to some extent known but that are evolving in unexpected ways, that have the potential to develop in such a way as to impact the balance sheet.

FIID identifies and monitors new and developing emerging risks through a range of channels including but not limited to:

- Regular communication with underwriters in respect of areas of risk material to their portfolios;
- Liaison with asset managers and advisors in respect of emerging macroeconomic, geopolitical and societal risks;
- The FIID CRO's and other members of the Risk Management function's reviews with risk owners conducted via the operational risk management process; and
- The FIID CRO's and other members of the risk management function's review of relevant external inputs, publications and periodic surveys.

ii. Risk mitigation techniques used for emerging risks

An emerging risk register is maintained by the risk management function and emerging or crystallising risks are reported to the RCC and the Board in aggregate through the regular CRO reporting process.

In the event of a new or developing emerging risk representing a material risk, the CRO will escalate as appropriate in order that appropriate mitigation can be implemented.

iii. Risk assessment of emerging risks

FIID assesses its exposure to emerging risks through the review and updating of the emerging risk register. On an annual basis the emerging risk register is presented to the FIID Board.

iv. Risk concentration of emerging risks

Emerging risk concentrations may occur in relation to broad range of areas covering environmental, political, economic, social and technological developments.

Reinsurance availability risk

i. Overview of reinsurance availability risk

Reinsurance availability risk refers to the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost. The inability may emanate from a variety of reasons such as unfavourable market conditions.

This risk does not include reinsurer default risk which is covered under C1.3 above.

ii. Risk mitigation techniques used for reinsurance availability risk

All reinsurance purchases must be authorised appropriately to ensure alignment to strategy and risk appetite and in accordance with operating guidelines.

The majority of FIID's and the Group's elemental reinsurance programs renew at 1st January, however exposures are not all written at the 1st January, therefore, if there is a mismatch FIID and the Group are aware of before the inward exposure is written.

FIID also benefits from the catastrophe bonds that the Group has purchased on a multi-year coverage basis. Throughout the year, FIID also enters into facultative reinsurance arrangements to manage its exposures in Bespoke and Specialty lines.

iii. Risk assessment of reinsurance availability risk

Reinsurance availability risk is assessed as part of each reinsurance placement through the completion of reinsurance purchase forms.

The risk is monitored on a frequent basis against the Board's stated risk appetite limits.

iv. Risk concentration of reinsurance availability risk

Reinsurance availability risk concentrations may occur in relation to reinsurance contracts placed relating to a particular class of business, a particular counterparty or at a specific period of time.

Group and strategic risk

i. Overview of Group and strategic risk

Group and strategic risk are defined as the risk of impact on shareholder value, earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Within this definition the Group has identified four key sub-categories of risk:

- **Communication risk:** The risk that the Group fails to define, maintain or adequately communicate its strategy and, as a result, cannot take advantage of strategic opportunities;
- **Capital planning risk:** The risk that the Company has insufficient capital at the right time to take advantage of strategic opportunities;
- **Reputational and regulatory risk**: The risk that adverse events or circumstances negatively affect the reputation of the Group with its rating agencies, regulators, policyholders, intermediaries, existing or prospective investors; and
- **Group contagion risk:** The risk that adverse events or circumstances affecting one or more business units or entities damage the solvency, liquidity, results or reputation of other entities or the overall Group.

ii. Risk mitigation techniques used for Group and strategic risk

The Company uses Group resources in a number of areas, including IT and risk management. Group risk is assessed, managed, monitored and reported as part of the Company's risk management processes. The Company seeks to manage strategic risks to the business by ensuring that the business strategies and resources are compatible with the strategic goals and the economic situation of the markets in which it operates.

iii. Risk assessment of Group and strategic risk

Strategic risk is assessed at least annually, as a part of the CRO’s review of the strategy. Group risk is assessed as part of the ORSA process.

iv. Risk concentration of Group and strategic risk

Group risk concentrations may occur in relation to an overreliance by the Company on key individuals, systems, processes and financial resources of the Group.

Group and strategic risk are included within and monitored against the Board’s stated operational risk appetite limits on a frequent basis.

C2. RISK EXPOSURES

C2.1 Material risks and risk measures

The figures in the table below detail the current material risks for FIID as part of the SCR as at 31 December 2022 compared to 31 December 2021:

	2022	2021
$ thousands		
Non-life underwriting risk	54,440	52,608
Market risk	8,511	4,426
Counterparty default risk	20,282	13,017
Diversification	(13,450)	(8,515)
BSCR	**69,783**	**61,536**
Operational risk	14,506	6,775
SCR	**84,289**	**68,311**

The FIID Board is updated on at least a quarterly basis as to whether the current risk profile is within the approved risk appetite tolerances and expected to remain so. As part of the ORSA process, these risks have been subject to a series of plausible but extreme stress and scenario tests covering each of these risk categories and the liquidity of the Company's assets following these events. There have been no material changes in these processes during the year.

The most material risk that FIID faces relates to non-life underwriting risk. An overview of how this risk is assessed and the key risk mitigation tools employed are detailed in Section C1.1.i above.

The FIID Board is updated on at least a quarterly basis as to whether the current risk profile is within the approved risk appetite tolerances and expected to remain so. As a part of the ORSA process, these risks have been subject to a series of plausible but extreme stress and scenario tests covering each of these risk categories and the liquidity of the Company's assets following these events.

C2.2 Investment of assets in accordance with the prudent person principle

The Company is required to invest the assets used to cover the MCR and the SCR in accordance with the "prudent person principle". The prudent person principle defines that the assets must be invested in a manner that a "prudent person" would – that is that the decisions are generally accepted as being sound for the average person.

FIID fulfils its obligations required by the Solvency II Directive to ensure that its assets are invested in line with the prudent person principle by only investing in investment-grade corporate bonds, investment-grade structured credit, investment-grade government bonds, cash or cash equivalents. These assets are all considered to be of a high quality and liquidity, and are in line with its risk appetite. The investment portfolio is monitored on a regular basis to ensure that it remains at an appropriate level of quality and liquidity whilst avoiding excessive concentrations.

C3. RISK SENSITIVITY

The following plausible but extreme scenario tests were undertaken as part of the ORSA process that was presented to the FIID Board in June 2022. These scenarios were developed by a subcommittee of the Board, comprising the Chair of the RCC, the FIID CEO, the FIID CFO, the FIID Chief Actuary and the FIID CRO. The aim of the scenarios is to provide a range of realistic challenges to the business plan covering the key risk categories that the Company is exposed to, and to test the potential range of responses to the outcomes.

- FIID suffers a gross loss on credit line of business based on a 20% loss given default of a Max Credit Line Loss – this scenario results in a post-loss solvency ratio of 168%.
- A marine tanker loss event occurs on a MII/MAP policy with the maximum sum insured – this scenario results in a post-loss solvency ratio of 165%.
- The impact of a breakdown in the relationship with the largest third-party MGA, together with an increase in loss ratios and an increase in one-off expenses – this scenario results in a post-loss solvency ratio of 136%.
- A terror event resulting in a maximum gross blast zone loss, compounded by an operational failure in aggregation models - this scenario results in a post-loss solvency ratio of 147%.
- A loss event due to two aircraft colliding - this scenario results in a post-loss solvency ratio of 153%.
- An increase in US interest rates by 5% (on an absolute basis) over a 12-month time horizon – this scenario results in a post-loss solvency ratio of 153%.
- The insolvency of a number of our external reinsurers that results in a loss given default of 50%, at the same time as a maximum individual aviation loss – this scenario results in a post-loss solvency ratio of 151%.
- Operational processing backlogs arise that result in a material increase in aged debt and a corresponding reduction in cash flow – this scenario results in a post-loss solvency ratio of 158%.

Under all of the above plausible but extreme scenarios the Company is projected to maintain its own funds above the MCR and SCR in 2022.

C4. ANY OTHER INFORMATION

C4.1 Climate change

Climate change represents one of the greatest long-term risks for the insurance industry. It is expected that climate change will lead to an increase in the frequency and severity of extreme weather events in the long term. Fidelis' risk-management competence and risk models allow for the assessment of these risks of change and to develop new solutions for the Company's primary insurance and reinsurance clients.

See section A.5 for more information regarding the business.

C4.2 UKRAINE/ RUSSIA

On 24 February 2022, the Russian Federation invaded Ukraine resulting in armed conflict in Ukraine and the Black Sea ("Ukraine Conflict"). Subsequently a number of countries, including the United States of America, the United Kingdom, and those in the European Union, placed significant sanctions on Russian institutions and persons which resulted in a devaluation of the Rouble and a fall in the value of Russian fixed income and equity assets, and the prompt withdrawal of companies from Russia without securing their assets. Fidelis has minimal direct exposure to Russian equities and minimal exposure to fixed income assets impacted by sanctions. Fidelis has potential exposure to losses associated with the conflict in Ukraine and the Black Sea through certain lines in the bespoke and specialty segments. In the light of the fluid nature of the Ukraine Conflict, detailed reserving models have been developed with input from pricing, legal, underwriting and claims and an independent view obtained from external actuaries, and Fidelis reserves are aligned. However, given the ongoing nature of the Ukraine Conflict, there remains considerable uncertainty around potential loss estimates. However, Fidelis does not believe the impact of the Ukraine Conflict will adversely affect the Company's ability to operate as a going concern.

C4.3 CAPITAL MAINTENANCE AGREEMENT FROM FIBL

It should also be noted that FIID has a capital maintenance agreement in place from FIBL, which commits FIBL to providing sufficient capital to maintain FIID's regulatory solvency position above an agreed Solvency II SCR Coverage Ratio. This agreement includes a clause that the commitment will be triggered if the FIID Board believes that the Solvency II SCR Coverage Ratio will drop below this position at any point over a subsequent nine-month period. FIBL is required to provide the funds within 15 Business Days of receipt of a valid demand from FIID under the agreement. Any funds provided under the agreement must be of a form that they can be used to meet FIID's solvency capital requirements.

FIID does not plan to rely on this agreement, but as part of the extreme but plausible stress tests that were run in the previous ORSA report, a scenario was designed to explicitly model a situation where a time where FIBL suffered a severe stress event, and FIID simultaneously suffered multiple large loss events that resulted in FIID requesting that FIBL provide support in line with the requirements of the agreement. This scenario was considered to be extraordinarily remote (greater than a 1-in-400 return period), but still did not result in the Solvency II SCR Coverage Ratio dropping below 100%.

C4.4 UNCONDITIONAL GUARANTEE FROM FIHL

It should also be noted that FIID has an unconditional guarantee from FIHL for all of its financial obligations, however, FIID does not plan to rely on this guarantee and none of the extreme but plausible stress tests that have been run in the previous ORSA report resulted in a scenario that FIID needed to rely on this guarantee.

D. VALUATION FOR SOLVENCY PURPOSES

The Company's annual financial statements are prepared under Generally Accepted Accounting Principles in Ireland (or "Irish GAAP") for filing with the Companies Registration Office. They are prepared under the historical cost convention, as modified by the inclusion of certain investments at fair value and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council.

On the Solvency II balance sheet assets and liabilities are generally valued differently and in accordance with valuation rules set out in the Solvency II Directive.

The difference between the valuation bases used under Irish GAAP and Solvency II has results in a difference in the net asset value at the end of the year of $(2.3)m (2021: $12.7m).

The table below shows the differences in the valuation of assets and liabilities per the Company's financial statements to the valuation for solvency purposes as at 31 December 2022:

$ thousands	**Valuation per Irish GAAP**	**Valuation and re-classification adjustments**	**Valuation per Solvency II**
Assets			
Investments	144,034	568	144,602
Cash and cash equivalents	18,147	—	18,148
Investment in subsidiary	101	—	101
Insurance and intermediaries receivables	411,629	(391,682)	19,947
Recoverable accrual	15,130	14,015	29,145
Net deferred acquisition costs	36,626	(36,626)	—
Reinsurance recoverables	242,245	(99,882)	142,363
Ceded unearned premium reserve	535,228	(535,228)	—
Deferred tax assets	824	324	1,148
Any other assets, not elsewhere shown	40,057	(11,397)	28,659
Total assets	**1,444,021**	**(1,059,908)**	**384,113**
Liabilities			
Technical provisions	869,253	(651,065)	218,188
Reinsurance premiums payable	343,901	(343,901)	—
Deferred reinsurance commissions	46,517	(46,517)	—
Any other liabilities, not elsewhere shown	43,433	(16,110)	27,323
Total liabilities	**1,303,104**	**(1,057,593)**	**245,511**
Excess of assets over liabilities	**140,917**	**(2,315)**	**138,602**

The table below shows the differences in the valuation of assets and liabilities per the Company's financial statements to the valuation for solvency purposes as at 31 December 2021:

$ thousands	**Valuation per Irish GAAP**	**Valuation and re-classification adjustments**	**Valuation per Solvency II**
Assets			
Investments	102,261	530	102,791
Cash and cash equivalents	19,254	—	19,254
Insurance and intermediaries receivables	273,789	(262,564)	11,225
Recoverable accrual	10,732	—	10,732
Net deferred acquisition costs	27,672	(27,672)	—
Reinsurance recoverables	58,746	(73,702)	(14,956)
Ceded unearned premium reserve	352,432	(352,432)	-
Deferred tax assets	157	(157)	—
Any other assets, not elsewhere shown	12,516	(543)	11,973
Total assets	**857,559**	**(716,540)**	**141,019**
Liabilities			
Technical provisions	460,798	(457,893)	2,905
Reinsurance premiums payable	237,324	(237,324)	—
Deferred reinsurance commissions	34,331	(34,331)	—
Deferred tax liabilities	—	1,659	1,659
Any other liabilities, not elsewhere shown	19,707	(1,352)	18,355
Total liabilities	**752,160**	**(729,241)**	**22,919**
Excess of assets over liabilities	**105,399**	**12,701**	**118,100**

D1. ASSETS

D1.1 Investments

FIID has a portfolio of investments which comprises predominantly corporate bonds, government bonds, cash and fixed income securities. The average credit quality of the portfolio is "A", with a focus on capital preservation.

As at 31 December 2022, the Company held $144.6 million (2021: $102.8 million) worth of investments, which are carried at fair value under Solvency II. An adjustment has been made to include accrued interest (which is not included under Irish GAAP) in the bond valuation for Solvency II purposes.

D1.2 Cash and cash equivalents

As at 31 December 2022, the Company held $18.1 million (2021: $19.3 million) as cash and cash equivalents. Cash and cash equivalents carrying amounts are considered to be held at fair value on the basis that these are short term assets, therefore there are no differences between the valuations under Solvency II and Irish GAAP.

D1.3 Investment in subsidiary

The Company owns 100% of the share capital of Fidelis Insurance Europe N.V., a company incorporated in Belgium. This company was incorporated on 24 March 2022 and did not have any trading activity during the year. This investment is deemed to be carried at fair value under Solvency II as the only assets in the company are cash.

D1.4 Insurance and intermediaries receivables

Insurance and intermediaries receivables represents premiums owed from policyholders. As at 31 December 2022, the Company had a total of $411.6 million (2021: $273.8 million) of outstanding premiums under Irish GAAP. For Solvency II purposes, an adjustment is made to remove non-overdue receivables leaving an insurance and intermediaries receivables balance of $19.9 million (2021: $11.2 million). The non-overdue receivables balance is considered within the calculation of the technical provisions as they are used as the basis for the future premiums and claims reinsurance recoveries elements.

Under Irish GAAP, insurance and intermediaries receivables are measured at amortised cost less any impairment losses. Under Solvency II, receivables are measured at fair value. Due to the short-term nature of the receivables, the Irish GAAP carrying value represents a fair approximation of the market consistent valuation under Solvency II.

D1.5 Recoverable accrual

The recoverable accrual comprises of reinsurance recoverables on paid claims and totalled $15.1 million as at 31 December 2022 under Irish GAAP (2021: $10.7 million) under Irish GAAP. Group reinsurance purchases and recoveries are recognised in any other liabilities/any other assets, not shown elsewhere on a US and Irish GAAP basis, but reallocated to TPs / recoverable accrual on an SII basis. An adjustment of $14.0 million has been made for these recoveries not yet received.

D1.6 Deferred acquisition costs

Deferred acquisition costs comprise brokerage and commission incurred on contracts written during the financial year, but expensed over the term of the insurance contract. Under Irish GAAP, DAC is recognized at cost and amortised systematically over the life of the contracts and tested for impairment at each balance sheet date. Any amount not recoverable is expensed. Under Solvency II DAC is not recognized. Instead, all cashflows related to expenses due to servicing recognised insurance obligations are considered in the best estimate technical provisions.

D1.7 Reinsurance recoverables and ceded UPR

As at 31 December 2022, reinsurance recoverables and Ceded UPR were $777.5 million under Irish GAAP (2021: $411.2 million). Reinsurance recoverables are held at amortised cost less any impairment, which approximates to fair value given the short-term nature of these assets. For Solvency II purposes, reinsurance recoverables are determined as part of the calculation for technical provisions.

D1.8 Deferred tax asset and liabilities

Deferred taxes are calculated based on the differences between the values ascribed to assets and liabilities on a Solvency II basis, as opposed to an Irish GAAP basis, and the values ascribed to the same assets and liabilities for tax purposes. The value of the deferred tax asset per Irish GAAP is $0.8 million as at 31 December 2022 (2021:

$0.2 million). There was no deferred tax liability for Solvency II purposes in 2022. In the prior year the adjustment to the deferred tax asset for Solvency II purposes resulted in the clear down of the Irish GAAP deferred tax asset and the recognition of a deferred tax liability of $1.7 million at 31 December 2021

Deferred tax is measured using rates enacted or substantively enacted at the balance sheet date that are expected to apply to the reversal of a timing difference.

FIID's deferred tax asset has been recognised on the basis that these tax credits are expected to be utilised in future periods, as supported by future profit forecasts.

D1.9 Any other assets, not elsewhere shown

As at 31 December 2022, other assets which primarily comprise intercompany receivables, were $40.1 million (2021: $12.5million) per Irish GAAP and are valued at amortised cost less any impairment which approximates to fair value given the short-term nature of these assets. The difference between the valuations is driven by the re-classification of accrued interest to Investments for Solvency II.

D2. TECHNICAL PROVISIONS

Under Solvency II principles technical provisions (or "TP's") represent a valuation of the Company's obligations towards its policyholders. TP's are required to be calculated as the sum of:

a) best estimate equal to the probability-weighted average of all future cash-flows, taking account of the time value of money; and

b) a risk margin equivalent to the amount that an insurance undertaking would be expected to require in order to take over and meet the technical provision obligations.

There are a number of factors which influence the calculation of technical provisions and their final value. These are discussed in this section D.2.1 of this report. On a Solvency II basis the total technical provisions at 31 December 2022, including the risk margin, were $75.8m compared to $30.1m on a statutory basis, a difference of $45.7m.

The table below shows the technical provisions as at 31 December 2022 by line of business:

	Direct and accepted proportional business					Accepted non-proportional business			
$ thousands	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability**	**Credit and suretyship insurance**	**Miscellaneous financial loss**	**Casualty reinsurance**	**Marine, aviation and transport**	**Property**	**Total**
Premium provisions: Gross	(18,634)	(4,599)	24,446	(30,497)	6,442	—	(176)	(37)	(23,055)
Premium provisions: Ceded	(20,483)	1,358	27,341	(20,574)	1,358	—	(125)	(96)	11,222
Premium provisions: Net	**1,849**	**(5,957)**	**(2,895)**	**(9,924)**	**5,084**	**—**	**(51)**	**59**	**(11,834)**
Claims provisions: Gross	126,769	12,515	10,888	10,583	68,732	—	1,003	997	231,486
Claims provisions: Ceded	(88,017)	2,097	(2,714)	(9,173)	(53,357)	118	836	1,468	153,585
Claims provisions: Net	**38,752**	**14,612**	**8,174**	**1,410**	**15,375**	**(118)**	**167**	**(471)**	**77,901**
Risk margin	4,087	1,214	1,968	932	1,525	—	31	1	9,758
Total technical provisions	**44,687**	**9,869**	**7,247**	**(7,581)**	**21,984**	**(118)**	**148**	**(411)**	**75,825**

D2.1 Valuation of technical provisions

Under Solvency II guidelines, technical provisions are calculated as the sum of a best estimate of the liabilities and a risk margin.

The best estimate portion of the TPs represents the sum of probability-weighted average future cash flows in respect of all policies that are legally obliged as at the valuation date, taking into account the time value of money (expected present value of future cash flows) using EIOPA risk-free interest rate term structure. These future cash flows include future premium receipts, future claims payments, future reinsurance spend, future reinsurance recoveries and associated future expense cash flows. For Solvency II, these cash flows are split into premium provision (unearned element of future cash flows including premiums and claims) and claims provision (earned element of future cash flows including premiums and claims). The methodology employed in the calculation for TPs is consistent across all lines of business.

The risk margin represents the risk premium that would be required to be paid to a third party in order to take over and meet the insurance and reinsurance obligations over their lifetime. The risk margin is calculated using the Solvency II prescribed approach, as the discounted cost of capital of running off all policies that form part of the best estimate, at a rate of 6% per annum. The risk margin is currently allocated between Solvency II lines of business in line with its insurance premium volume measure within the Standard Formula calculation.

There are a number of valuation differences between Solvency II and Irish GAAP:

- Unexpired Risks - Under Irish GAAP, premium is earned over the period of the underlying policies having regard to the incidence of risk. Unearned premium represents premium relating to unexpired periods of policies written. A liability for unearned premium liability is not recognized under Solvency II; instead a Premium Provision is included in TP's to reflect expected future claims and expenses netted by expected future premiums on existing policies.
- Discounting – is not applied under Irish GAAP where under Solvency II all TP's are discounted to make allowance for the time value of money.
- Profit Recognition – under Irish GAAP FIID recognizes profits or losses on insurance policies over the duration of the policy periods, whereas under Solvency II these are recognized as the associated policies are recognised.
- Margin for Uncertainty / Events Not in Data – under Irish GAAP an additional margin may be booked over and above the best estimate of technical provisions upon the recommendation of a company's Reserving Committee. Under Solvency II Technical Provisions must be booked at best estimate; however, ENID's must be considered in terms of whether they give rise to the need for additional provisions. An ENID is a type of potential future claim which historical loss data might not necessarily reflect.
- Risk Margin – risk margin is an estimate of the amount above and beyond the best estimate valuation which one might reasonably expect another insurer to charge to assume the company's liabilities. Under Solvency II it is necessary to consider this in the valuation of TP's, whereas no such requirement exists under Irish GAAP.

In determining the Company's TP's, the following key assumptions are made:

- **Expected claims -** Expected claims on earned business are taken directly from the Irish GAAP reserves, while unearned claims are determined using Initial Expected Loss Ratios ("IELR's") based on Fidelis data, industry data and expert judgement.

- **Events Not in Data ("ENID's") -** Under Solvency II, the mathematical mean of the distribution of all possible future outcomes should be captured. Therefore, a load is added to the future losses to allow for ENIDs which would not be captured in the best estimate calculated on an Irish GAAP basis.

- **Expenses -** The TPs make allowance for the expenses incurred in servicing the legal obligations of contracts and these include acquisition costs, reinsurance costs, ULAE, administrative and investment expenses.

- **Interest rates -** The future cash flows are discounted using the standard risk-free rate term structure provided by EIOPA. The matching adjustment or the volatility adjustment has not been utilised.

The assumptions within each class can vary, for example the loss ratios and ENID ratios that are parameterised using industry data. Outside of differences in assumptions, there are no material differences in the methodological approach taken for each line of business.

D2.2 Level of uncertainty associated with the value of TPs

There is inherent uncertainty within the cash flows that relate to insurance contracts and it is recognised that future claim emergence is likely to deviate from the estimates, potentially materially. Key uncertainties include:

- the number and magnitude of potential large losses and catastrophe events on unexpired business at the valuation date;
- the provision for ENIDs for which by their nature there is no data available;
- potential for policies to be cancelled;
- the estimation of Risk Margin with uncertainty over run-off of capital requirements;
- potential deviation on expected profits on unincepted and unearned business;
- the volume of unincepted business;
- the ultimate payout patterns and how a different pattern would impact the level of discounting;
- uncertainty around the level of future premium receivable.

The Company's estimates are subject to additional uncertainty due to the high exposure to potential large losses due to the nature of the business written and the number of multi-year deals with large volumes of premium yet to be received.

As part of the technical provision process, a suite of sensitivity tests is run to better understand the materiality of key assumptions and how sensitive the overall best estimate technical provision is to changes in the underlying assumptions.

D2.3 Solvency II and Irish GAAP valuation differences of TPs by material line of business

The table below shows a build up from the Irish GAAP valuation of insurance contract liabilities to the Solvency II TPs, split by line of business, as at 31 December 2022

$ thousands	Direct and accepted proportional business: Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability	Credit and suretyship insurance	Miscellaneous financial loss	Casualty reinsurance	Marine, aviation and transport	Miscellaneous financial loss	Total
Gross Irish GAAP insurance contract liabilities	157,931	11,684	13,447	18,336	68,504	(34)	1,558	939	272,365
Solvency II adjustments	(49,798)	(3,768)	21,887	(38,250)	6,670	34	(731)	21	(63,935)
Gross BEL	**108,133**	**7,916**	**35,334**	**(19,914)**	**75,174**	**—**	**827**	**960**	208,430
Net Irish GAAP insurance contract liabilities	17,910	851	1,528	1,984	7,677	(5)	182	(7)	30,120
Solvency II adjustments	22,690	7,804	3,751	(10,497)	12,781	(113)	(64)	(405)	35,947
Net BEL	**40,600**	**8,655**	**5,279**	**(8,513)**	**20,458**	**(118)**	**118**	**(412)**	66,067
Risk margin	4,087	1,214	1,968	932	1,526	—	30	1	9,758
Technical provisions	**44,687**	**9,869**	**7,247**	**(7,581)**	**21,984**	**(118)**	**148**	**(411)**	**75,825**

Under the Company's Irish GAAP reserving methodology the Actuarial Function calculates ultimate loss ratios with no margins for prudence or optimism. An explicit margin may be added based on consideration and recommendation from the Reserving Committee.

The Company does not use the following adjustments in calculating the Technical Provisions:

- volatility adjustment referred to in Article 77d of Directive 2009/138/EC;
- the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC, and
- the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Solvency II technical provisions are evaluated on a best estimate cash flow basis with items such as unearned premium reserves being removed. In estimating Solvency II technical provisions, the following adjustments are made to Irish GAAP estimates:

- *Removal of any margins in the Irish GAAP reserves* - Solvency II technical provisions are required to be on an actuarial best estimate basis with no implicit margin (or reduction from best estimate). FIID assumes the booked Irish GAAP reserves at 31 December 2022 are on this basis and the reserves based on Actuarial ultimate loss ratios have not been recalculated. Any margin for uncertainty is removed for Solvency II purposes and any expected reinsurance recoveries are allowed for separately (for both proportional and non-proportional reinsurance).
- *Recognition of profit in the Unearned Premium Reserve (UPR)* - The full amount of unearned premiums is removed from the TPs and the best estimate of the claims liabilities associated with the UPR are added back. Expected reinsurance recoveries are allowed for separately for both proportional and non-proportional reinsurance.
- *Recognition of profits in business written prior to, but incepting after, the valuation date* - Bound But Not Incepted ("BBNI") premium serves to reduce the Technical Provisions. The best estimate of the claims liabilities associated with BBNI is added to the Technical Provisions. Expected reinsurance recoveries are allowed for separately for both proportional and non-proportional reinsurance.
- *Allowance for future premiums* - Future premium cash flows, premiums that have been written and are either earned or unearned but are not yet due to be paid, are derived from the Company's financial systems for both gross cash inflows and reinsurance cash outflows.
- *Events Not In Data (ENID's)* - Under Irish GAAP technical provisions only allow for items that are implicitly included within the data or are reasonably foreseeable. Under Solvency II the best estimate must allow for all possible outcomes. This would include latent claims and/or very high severity, low probability claims. Gross and ceded technical provisions are estimated separately.
- *Expenses required to run-off of the technical provisions* – Under Solvency II all expenses expected to be incurred in running-off the technical provisions must be allowed for in the TP calculations, including a proportion of fixed overheads. These are projected using the latest financial data and an estimate of the expected time to run-off the Technical Provisions based on the estimated claims payment patterns.
- *Allowance for Reinsurance Bad Debt (non-recoverable reinsurance)* – an allowance for an expected non-payment of reinsurance recoveries, calculated on a SII basis. The expected default under Solvency II takes into account the timing of the expected payment by reinsurer and hence allows for a change in rating over time.
- *Allowance for the future cost of reinsurance in respect of written business* - some future reinsurance purchases will benefit business written at the valuation date and the expected cost of this spend is included in the Technical Provisions.
- Allowance for the impact of policies lapsing -based on historical data an allowance is made against future profits / losses for a level of policies lapsing (or being cancelled) before expiry date or a claim being made.
- Allowance for future investment income (discounting) - Cash flows are discounted for the time value of money based on the expected timing of all cash flows. The yield curves (discount rates) for major currencies which are used to discount the cash flows are provided by the supervisory authorities.
- Allowance for risk margin – this increases the overall value of the TP's from the discounted best estimate to an amount equivalent to a theoretical level, needed to transfer the obligations to another insurance undertaking.
- Reinsurance - The Company has significant reinsurance assets as all lines of business are ultimately covered by an 85% intra-group quota share reinsurance arrangement with FIBL.

There have been no significant changes in the assumptions used to calculate the Technical Provisions during the year.

D3. OTHER LIABILITIES

D3.1 Reinsurance payables

As at 31 December 2022, reinsurance payables were $343.9 million (2021: $237.3 million) per Irish GAAP. Reinsurance payables are measured at amortised cost less any impairment. Given the short-term nature of reinsurance payables, this approximates to fair value under Irish GAAP. There are no differences in principle between Solvency II and Irish GAAP valuations of reinsurance payables. However, for Solvency II purposes, the non-overdue element of reinsurance payables is considered as part of the calculation for technical provisions on the basis that they relate to future cashflows. None of the reinsurance payables balance was overdue as at 31 December 2022.

D3.2 Deferred reinsurance commissions

As at 31 December 2022, ceded deferred reinsurance commissions totalled $46.5 million (2021: $34.3 million) per Irish GAAP. Deferred acquisition costs are removed under Solvency II principles, however future cashflows of unpaid acquisition costs are accounted for within the technical provisions.

D3.3 Any other liabilities, not elsewhere shown

As at 31 December 2022, all other payables were $43.4 million (2021: $19.7 million) per Irish GAAP and $27.3 million per Solvency II. The adjustment of $16.1 million is a reclass from intercompany payables to technical provisions of amounts owed to other Fidelis entities for group reinsurance purchases. Other payables, which includes accruals, intercompany payables and deferred income are measured at amortised cost less any impairment, which approximates to fair value under Irish GAAP, given the short-term nature of these liabilities.

D4. ALTERNATIVE METHODS FOR VALUATION

The Company does not use any alternative methods for valuation of its assets or liabilities.

D5. ANY OTHER INFORMATION

None noted.

E. CAPITAL MANAGEMENT

The objective of capital management is to maintain, at all times, sufficient capital to safeguard the Company's ability to continue as a going concern and to protect the interests of its customers, investors, regulators, and trading partners while also efficiently deploying capital and managing risk to sustain ongoing business development.

Under Solvency II regulations, the company is required to maintain capital at a level which is above its Solvency Capital Requirement (or "SCR"). The Minimum Capital Requirement (or "MCR") is a measure which only becomes relevant in a scenario where the capital base has been subject to extreme distress. Accordingly, the SCR value is significantly greater than that of the MCR. Capital held should be of sufficient quality to meet the eligibility requirements in the Solvency II rules as enacted.

The SCR ratio compares a company's Own Funds to its SCR requirement. While the Company regularly communicates its SCR ratio to the CBI, an SCR ratio below 100% requires immediate reporting in which event the Company must implement a recovery plan to demonstrate the actions it will take to restore its SCR ratio to 100% within 6 months of the breach taking place.

The Company determines its SCR using the Standard Formula and maintains a prudent buffer over the SCR. The Company's capital position is kept under constant review and is reported quarterly to the Board and to the CBI as part of quantitative Solvency II reporting. The Company manages its Own Funds with the objective of always being able to satisfy both the MCR and the SCR plus a buffer. There have been no significant changes to capital management objectives over the period of this report.

The Company prepares solvency projections for the following three years as part of its business planning process, which forms part of the ORSA. In addition, short-term solvency projections are calculated where a significant transaction is considered by the Company. Solvency calculations are prepared following the end of each quarter and compared with available Own Funds; this is included in the risk function's report to the Risk and Return Committee. The solvency position is also communicated to the Board on a quarterly basis.

E1. OWN FUNDS

The Company's capital resources are made up of Tier 1 capital instruments. This comprises ordinary share capital, capital contributions and the reconciliation reserve which are all available as Tier 1 unrestricted own funds per Article 69 (a)(i) of the Delegated Regulation and are eligible for meeting the company's SCR requirements. The ordinary share capital and capital contribution are not subordinated and have no restricted duration.

The components of the company's Own Funds at the year-end are shown below:

$ thousands	**2022**	**2021**
Ordinary Share Capital	1,000	1,000
Capital Contributions	147,000	107,000
Reconciliation Reserve	(10,546)	10,100
Deferred tax asset	1,148	-
Own Funds	**138,602**	**118,100**

$ thousands	**2022**	**2021**
Tier 1 Own Funds at year-end	138,602	118,100
Eligibility to meet SCR/MCR requirements	100%	100%
SCR at year-end	84,289	68,311
MCR at year-end	21,072	17,078
Solvency Ratio, SCR	164.4 %	172.9 %
Solvency Ratio, MCR	652.2 %	691.6 %

As part of the capital management cycle a forward-looking estimate of Own Funds is calculated on a periodic basis during the year to monitor expected solvency ratios by comparing with forecast SCR positions at quarter-ends.

There are certain differences between the value of Own Funds under Solvency II and the value of Equity shown in the Company's Financial Statements, prepared under Irish GAAP. These arise due to the difference in valuation of assets and liabilities described in Section D of this report. A reconciliation is shown in section E.1.1 below.

None of the Company's Own Funds are subject to transitional arrangements. The Company has no Ancillary Own Funds. There are no other deductions made from Own Funds, nor is there any restriction affecting the availability and transferability of Own Funds within the Company.

E1.1 RECONCILIATION RESERVE

At the year-end, the Reconciliation Reserve stood at $(10.5)m compared with $10.1m at the end of the previous year:

$ thousands	**2022**	**2021**
Excess of assets over liabilities	138,602	118,100
Deferred tax asset	(1,148)	-
Other Basic Own Fund items	(148,000)	(108,000)
Reconciliation Reserve	**(10,546)**	**10,100**

The reconciliation reserve represents the excess of assets over liabilities, less a deduction equal to the share capital and the capital contribution.

The Company received capital contributions from FEHL in March 2022 for $20.0 million and May 2022 for $20.0 million (2021: $nil). The 2022 capital contributions were approved by the CBI as Tier 1 capital on 6 April 2022 and 1 July 2022 respectively.

The following table shows the difference between equity as shown in the financial statements and the Solvency II excess of assets over liabilities:

$ thousands	**2022**	**2021**
Total Irish GAAP equity	140,917	105,399
Valuation adjustments relating to technical provisions	(2,639)	14,517
Deferred tax effect	324	(1,816)
Total basic own funds	**138,602**	**118,100**

Solvency II own funds of $138.6 million is less than capital calculated on an Irish GAAP basis, driven by the movement in TPs, risk margin and additional expenses in running off technical provisions. This is partially offset by profits in the unearned premium reserve and the impact of deferred tax.

FIID benefits from a contractual intragroup guarantee provided by FIHL. Under the terms of the guarantee, FIHL undertakes to satisfy all liabilities of FIID in the event of its insolvency. This provides a degree of protection greater than that required by the Solvency II SCR.

Additionally, FIID entered into a capital maintenance agreement in 2021, which commits FIBL to provide sufficient capital to maintain FIID’s regulatory solvency position equivalent to 105% of its Solvency II SCR Coverage Ratio. This agreement includes a clause that the commitment will be triggered if the FIID Board believes that the Solvency II SCR Coverage Ratio will drop below this position at any point over a subsequent nine-month period. FIBL is required to provide the funds within 15 business days of receipt of a valid demand from FIID under the agreement. Any funds provided under the agreement must be of a form that they can be used to meet FIID’s solvency capital requirements.

Tier 1 own funds are eligible to meet both the SCR and the MCR and are permanently available to cover losses. It is also possible to include deferred tax assets as Tier 3 capital. This category of own funds can be used to cover the SCR (up to a maximum 15%) but is not eligible to cover the MCR.

When considering the loss absorbing capacity of deferred tax in the SCR, it is possible to recognise deferred tax assets against:

- Deferred tax liabilities on the Solvency II balance sheet;
- Future taxable profits; or
- Prior year profits (carry back).

As at 31 December 2022, a deferred tax asset of $1.1m has been recognised as Tier 3 capital (2021 : nil).

E2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The table below shows FIID's SCR and MCR requirements at the year-end:

$ thousands	**2022**	**2021**
SCR	84,289	68,311
MCR	21,072	17,078

The company calculates its SCR using the standard formula. The company does not use any Underwriting Specific Parameters nor does it use simplified calculations for any of the underlying risk modules.

E2.1 Solvency Capital Requirement

Under Solvency II regulations the SCR is set at a level that ensures that insurers and reinsurers can meet their obligations to policyholders and beneficiaries over the following 12 months with a 99.5% probability, which limits the possibility of falling into financial ruin to less than once in 200 cases. The formula takes a modular approach, meaning that individual exposure to each risk category is assessed and then aggregated.

The SCR, calculated using the Standard Formula, is intended to be calibrated to ensure all quantifiable risks to which the entity is exposed are captured, covering all existing business and all the business planned to be written over the next twelve months. This means that the 2023 planned premiums and exposures are taken into account in the Q4 2022 SCR calculation.

The risk charges per category as at 31 December 2022 compared to 31 December 2021 are outlined below:

$ thousands	**2022**	**2021**
Non-life underwriting risk	54,440	52,608
Market risk	8,511	4,426
Counterparty default risk	20,282	13,017
Diversification	(13,450)	(8,515)
BSCR	**69,783**	**61,536**
Operational risk	14,506	6,775
SCR	**84,289**	**68,311**

During the year the SCR increased by $16.0m or 23.4%. The main drivers for the change are shown in the table above.

E2.2 Minimum Capital Requirement

Under Solvency II regulations the Minimum Capital Requirement must also be calculated and represents the threshold below which a national regulatory agency would intervene. The MCR targets an 80% value at risk over a one-year time horizon. The MCR is based on proportions of net premiums written in the previous 12 months and the net best estimate of technical provisions at the valuation date. These are supplied by Solvency II class of business and the proportions vary by class.

The Solvency II Directive provides regional regulators with several options to address breaches in the MCR, including the complete withdrawal of authorization from selling new policies and forced closure of the Company.

The Company calculates its linear MCR using the prescribed formula. This is then compared with the Absolute floor of the MCR, the MCR cap and the MCR floor. Both the cap and floor are determined using the Standard Formula SCR.

The table below shows the inputs into the MCR calculation as at 31 December. The MCR is calculated using a linear formula, subject to a floor of 25% and a cap of 45% of the SCR. The MCR is further subject to an absolute floor that reflects the nature of the undertaking (as defined in Article 129 (1) (d) of Directive 2009/138/EC).

This has been converted into US Dollars below at the 31 December foreign exchange rate:

$ thousands	**2022**	**2021**
Linear MCR	14,554	10,644
SCR	84,289	68,311
MCR cap	37,930	30,740
MCR floor	21,072	17,078
Combined MCR	21,072	17,078
Absolute floor of the MCR	3,867	2,911
Minimum Capital Requirement	**21,072**	**17,078**

E2.3 Material Change in SCR and MCR

SCR coverage has decreased from 172.9% at 31 December 2021 to 164.4% at 31 December 2022. Own funds at the year-end stood at $138.6m compared with $118.1m at 31 December 2021, representing an increase of 17.4%.

The SCR increased to $84.3m during the year, an increase of 23.4% compared with the prior year balance of $68.3m. A breakdown of the movements is shown in section E.2.1 above.

The MCR increased to $21.1m during the year, an increase of 23.4% compared with the prior year balance of $17.1m.

E3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SCR

The company does not use the duration-based equity risk sub-module in the calculation of its SCR.

E4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Company does not have an approved internal model to calculate its SCR.

E5. NON-COMPLIANCE WITH MCR AND SCR

There has not been any non-compliance with the SCR or MCR over the period.

E6. ANY OTHER INFORMATION

No additional information is noted at this time.

QUANTITATIVE REPORTING TEMPLATES (“QRTs”)

The following QRTs are required for the SFCR:

QRT Ref	QRT Template name
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-Life technical provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement

The templates are included at the end of this report.

Fidelis Insurance Ireland DAC

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in USD thousands)

General information

Undertaking name	Fidelis Insurance Ireland DAC
Undertaking identification code	635400NI1QCEDFFRMX35
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	IE
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	1,148
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	144,602
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	101,653
R0140	*Government Bonds*	24,186
R0150	*Corporate Bonds*	77,467
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	42,949
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	142,363
R0280	*Non-life and health similar to non-life*	142,363
R0290	*Non-life excluding health*	142,363
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	19,947
R0370	Reinsurance receivables	29,145
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	18,147
R0420	Any other assets, not elsewhere shown	28,760
R0500	**Total assets**	384,113

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	218,188
R0520	*Technical provisions - non-life (excluding health)*	218,188
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	208,430
R0550	*Risk margin*	9,758
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	0
R0790	Derivatives	
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	27,323
R0900	**Total liabilities**	245,511
R1000	**Excess of assets over liabilities**	138,602

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						248,465	34,694	136,151	96,636			15,498					531,443
R0120	Gross - Proportional reinsurance accepted						1,903	3,137	0	0			0					5,040
R0130	Gross - Non-proportional reinsurance accepted														0	0	0	0
R0140	Reinsurers' share						228,880	33,542	117,867	89,750			15,732		0	0	0	485,771
R0200	Net						21,488	4,289	18,283	6,885			-234		0	0	0	50,711
	Premiums earned																	
R0210	Gross - Direct Business						182,383	31,381	36,291	42,869			33,434					326,358
R0220	Gross - Proportional reinsurance accepted						1,453	2,910	0	0			0					4,364
R0230	Gross - Non-proportional reinsurance accepted														0	0	0	0
R0240	Reinsurers' share						168,527	30,310	31,228	38,546			30,644		0	0	0	299,255
R0300	Net						15,309	3,981	5,063	4,323			2,790		0	0	0	31,466
	Claims incurred																	
R0310	Gross - Direct Business						160,488	7,133	7,907	8,859			56,603					240,991
R0320	Gross - Proportional reinsurance accepted						637	490	0	0			0					1,128
R0330	Gross - Non-proportional reinsurance accepted														0	-245	-1,497	-1,743
R0340	Reinsurers' share						143,187	6,957	7,094	6,868			50,819		0	-105	-358	214,462
R0400	Net						17,939	666	813	1,991			5,784		0	-140	-1,139	25,914
	Changes in other technical provisions																	
R0410	Gross - Direct Business						0	0	0	0			0					0
R0420	Gross - Proportional reinsurance accepted						0	0	0	0			0					0
R0430	Gross - Non-proportional reinsurance accepted														0	0	0	0
R0440	Reinsurers' share						0	0	0	0			0		0	0	0	0
R0500	Net						0	0	0	0			0		0	0	0	0
R0550	**Expenses incurred**						3,422	255	5,029	-74			1,346		0	0	0	9,979
R1200	**Other expenses**																	
R1300	**Total expenses**																	9,979

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			DE	IT	NL	BE	GR	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	46,142	85,846	63,080	62,293	51,131	35,644	344,135
R0120	Gross - Proportional reinsurance accepted	1,103	1,017	177	0	0	0	2,298
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	40,940	80,773	60,926	57,040	47,852	31,672	319,204
R0200	Net	6,305	6,089	2,331	5,252	3,279	3,972	27,229
	Premiums earned							
R0210	Gross - Direct Business	23,140	48,725	17,301	41,085	58,545	20,605	209,402
R0220	Gross - Proportional reinsurance accepted	0	945	196	0	0	0	1,141
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	21,947	44,040	15,616	36,308	56,731	18,469	193,111
R0300	Net	1,193	5,629	1,881	4,778	1,814	2,137	17,432
	Claims incurred							
R0310	Gross - Direct Business	13,146	29,818	11,071	21,317	93,730	11,140	180,222
R0320	Gross - Proportional reinsurance accepted	349	347	118	0	0	0	814
R0330	Gross - Non-proportional reinsurance accepted	-285	-1,285	-29	-167	-1	0	-1,768
R0340	Reinsurers' share	11,759	25,975	10,042	19,108	83,105	10,005	159,995
R0400	Net	1,450	2,905	1,118	2,042	10,624	1,135	19,275
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	1,241	1,198	459	1,034	645	782	5,358
R1200	**Other expenses**							
R1300	**Total expenses**							5,358

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0	0	0	0			0		0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole						0	0	0	0			0		0	0	0	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						-18,634	-4,599	24,446	-30,497			6,442		0	-176	-37	-23,055
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						-20,483	1,358	27,341	-20,574			1,358		0	-125	-96	-11,222
R0150	**Net Best Estimate of Premium Provisions**						1,849	-5,957	-2,895	-9,924			5,084		0	-50	59	-11,834
	Claims provisions																	
R0160	Gross						126,769	12,515	10,888	10,583			68,732		0	1,003	997	231,486
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						88,017	-2,097	2,714	9,173			53,357		118	836	1,468	153,585
R0250	**Net Best Estimate of Claims Provisions**						38,752	14,612	8,174	1,410			15,375		-118	167	-471	77,901
R0260	**Total best estimate - gross**						108,134	7,916	35,334	-19,914			75,173		0	827	960	208,430
R0270	**Total best estimate - net**						40,601	8,655	5,279	-8,513			20,459		-118	117	-412	66,067
R0280	**Risk margin**						4,087	1,214	1,968	932			1,525		0	31	1	9,758
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole						0	0	0	0			0		0	0	0	0
R0300	Best estimate						0	0	0	0			0		0	0	0	0
R0310	Risk margin						0	0	0	0			0		0	0	0	0
R0320	**Technical provisions - total**						112,221	9,130	37,301	-18,982			76,699		0	858	960	218,188
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						67,534	-739	30,054	-11,401			54,715		118	711	1,372	142,363
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						44,687	9,869	7,247	-7,581			21,984		-118	148	-411	75,825

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** | Underwriting Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year					**Development year**							**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2013	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2014	0	0	0	0	0	0	0	0	0			0	0
R0180	2015	0	0	0	0	0	0	0	0				0	0
R0190	2016	0	0	0	0	1	17	923					923	942
R0200	2017	0	0	14	234	35	75						75	358
R0210	2018	0	7	2,197	2,626	532							532	5,361
R0220	2019	8	813	3,220	1,673								1,673	5,714
R0230	2020	1,204	9,492	3,169									3,169	13,864
R0240	2021	1,523	20,402										20,402	21,925
R0250	2022	6,376											6,376	6,376
R0260												**Total**	33,149	54,540

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year					**Development year**							**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2013	0	0	0	0	0	0	0	0	0	0		0
R0170	2014	0	0	0	0	0	0	0	0	0			0
R0180	2015	0	0	0	0	0	0	0	0				0
R0190	2016	0	0	0	3,869	2,686	1,381	-535					-489
R0200	2017	0	0	8,585	3,659	1,766	897						887
R0210	2018	0	-235	3,420	125	1,696							1,798
R0220	2019	2,120	16,594	21,356	14,631								13,517
R0230	2020	2,162	11,628	69,272									62,203
R0240	2021	23,860	137,489										128,562
R0250	2022	28,320											25,008
R0260												**Total**	231,486

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	1,000	1,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-10,547	-10,547			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	1,148				1,148
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	147,000	147,000	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	138,602	137,453	0	0	1,148
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	138,602	137,453	0	0	1,148
R0510	Total available own funds to meet the MCR	137,453	137,453	0	0	
R0540	Total eligible own funds to meet the SCR	138,602	137,453	0	0	1,148
R0550	Total eligible own funds to meet the MCR	137,453	137,453	0	0	
R0580	**SCR**	84,289				
R0600	**MCR**	21,072				
R0620	**Ratio of Eligible own funds to SCR**	164.44%				
R0640	**Ratio of Eligible own funds to MCR**	652.29%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	138,602
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	149,148
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-10,547
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	34,384
R0790	**Total Expected profits included in future premiums (EPIFP)**	34,384

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	8,511		
R0020	Counterparty default risk	20,282		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	54,440		
R0060	Diversification	-13,450		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	69,783		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	14,506
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	84,289
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	84,289
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} Result	14,554

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	40,601	19,625
R0080	Fire and other damage to property insurance and proportional reinsurance	8,655	4,173
R0090	General liability insurance and proportional reinsurance	5,279	8,681
R0100	Credit and suretyship insurance and proportional reinsurance	0	7,258
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	20,459	1,394
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	117	
R0170	Non-proportional property reinsurance	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

Overall MCR calculation

		C0070
R0300	Linear MCR	14,554
R0310	SCR	84,289
R0320	MCR cap	37,930
R0330	MCR floor	21,072
R0340	Combined MCR	21,072
R0350	Absolute floor of the MCR	3,866
R0400	**Minimum Capital Requirement**	21,072